Austria . . . Sch 20 | Indonesia . . Rp 2500 | Portugal . . . Esc 90
Bahrain . . Din 0.650 | Italy . . . . . L 1500 | S Arabia . . Rls 6.00
Belgium . . . BFr 45 | Japan . . . . Y650 | Singapore . . S$ 4.10
Canada . . . C$1.00 | Jordan . . . Fils 500 | Spain . . . . Pta 125
Cyprus . . . C£0.70 | Kuwait . . . Fils 500 | Sri Lanka . . Rup 30
Denmark . . Dkr 9.00 | Lebanon . . . L 75.00 | Sweden . . . Skr 7.00
Egypt . . . E£1.00 | Luxembourg . . Lfr 45 | Switzerland . SFr 2.20
Finland . . Fmk 6.50 | Malaysia . . Rgt 4.75 | Taiwan . . . NT $65
France . . . Fr 5.00 | Mexico . . . Pes 300 | Tunisia . . . Din 0.600
Germany . . DM 2.20 | Morocco . . . Dh 6.00 | Turkey . . . L 250
Greece . . . Dr 80 | Netherlands . . Fl 2.75 | UAE . . . . Dh 6.50
Hong Kong . HK$ 12 | Norway . . . Nkr 7.00 | USA $1.00
India . . . Rup 15 | Philippines . . Pes 20 |

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,945 | Wednesday June 4 1986 | D 8523 B

UK commercial paper chase is on, Page 26

World news | Business summary

Unions to support Soweto strike call

South Africa's biggest black-led trade union grouping said it would back a one-day strike on June 16, the 10th anniversary of the outbreak of rioting in Johannesburg's Soweto township.

The 500,000-strong Congress of South African Trade Unions issued a joint statement backing the strike call with the main anti-apartheid group, the United Democratic Front, and the National Education Crisis Committee, formed to co-ordinate the protest over black schooling.

The NEEC had originally called for a three-day strike in solidarity with students, whose protests began *the 1976 Soweto rioting and* who have since spearheaded much of the opposition to apartheid.

Strikes postponed

Swedish metalworkers postponed planned selective strikes against 19 of the country's largest engineering companies at a government mediator's request. Page 2

Emergency extended

Peruvian President Alan Garcia, *facing a wave of left-wing guerrilla* attacks in Lima, has extended a state of emergency in the capital and postponed a visit to Europe.

President snubbed

Ecuador's centre-left opposition consolidated its wide lead over pro-government parties in a mid-term congressional election which dealt a crushing defeat to conservative President Leon Febres Cordero. Page 4

Banker to be charged

Israel's Justice Ministry said it was preparing an indictment against Aharon Meir, the former head of the country's fourth largest commercial bank, over alleged bank share price-fixing during a 1983 collapse in bank shares on the Tel Aviv stock exchange. Page 28

World Cup warning

Bolivian Labour Ministry warned employers they were not allowed to give people time off work to watch televised World Cup football *matches.*

New lira approved

Italian Government approved a draft law for the introduction of a new "heavy" lira worth 1,000 times the present one.

Bujak charged

Captured Solidarity underground leader Zbigniew Bujak has been charged with preparations aimed at overthrowing the state, which carries a maximum penalty of 10 years in prison. Page 2

Chernobyl toll 25

Deaths from the Chernobyl nuclear disaster have reached 25, and 30 people are in a critical condition, suffering from radiation. EEC plays down nuclear power, Page 3

France drops pledge

France has told the Netherlands it cannot fulfil a 10-year-old pledge to stop dumping salt waste from potassium mines into the river Rhine.

Near-miss in air

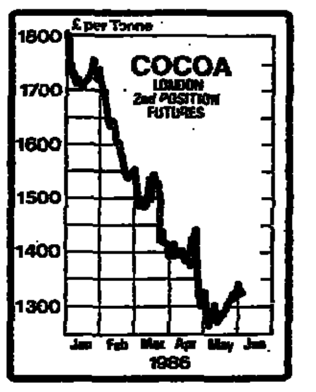
Icelandic air authorities have launched an inquiry into a near-miss on Monday between a British Airways Boeing Jumbo, flying to Seattle, and an SAS DC8, flying from Greenland to Copenhagen.

Health chief quits

The chairman of Britain's National Health Service Management Board, a body created to conduct an efficiency drive in the state-run medi*cal service, resigned* after a long-running disagreement with the Conservative Government's Social Services Secretary.

Hanson lifts first half profit by 50%

HANSON TRUST, UK industrial and trading conglomerate with extensive US interests, lifted its first-half taxable profits by nearly 50 per cent to £157.8m ($231.6m), including a contribution from the recently acquired SCM. Lex, Page 28; Details, Page 34



COCOA prices eased in London under pressure from hedging against sales from the current Ivory Coast crop. Sterling's firmness helped to push the September position £17.50 lower to £1,321.50 a tonne. Gill & Duffus contract cancelled, Page 42

TOKYO: Issues suffered a setback after a series of strong gains. The Nikkei average lost 69.73 to 16,669.54. Page 50

WALL STREET: The Dow Jones industrial average closed 8.48 up at 1,870.43. Page 50

LONDON: Equities firmed on interest rate hopes, and gilts improved after a lower start. The FT Ordinary share index gained 4.0 to 1,320.4, and the FT-SE 100 added 5.7 to 1,602.2. Page 50

DOLLAR fell in London to DM 2.2740 (DM 2.3230) FFr 7.24 (FFr 7.40), SFr 1.8790 (SFr 1.9280) and Y171.55 (Y174.90). On Bank of England figures the dollar's index fell to 117.3 from 119.1. Page 43

STERLING rose in London to close at $1.4935 ($1.474). Elsewhere it fell to DM 3.395 (DM 3.425), SFr 2.805 (SFr 2.8425), FFr 10.8125 (FFr 10.9075) and Y256.25 (Y257.75). The pound's exchange-rate index fell to 76.1 from 76.3. Page 43

GOLD fell $0.75 in the London bullion market to close at $341.75. It rose in Zurich to $342.35 ($342.00). Page 42

FIAT chairman Giovanni Agnelli said Libya does not want to sell its 15 per cent stake in Italy's biggest industrial conglomerate, despite the Turin group's stated wish to buy back the share. Page 29

GREAT ATLANTIC and Pacific Tea, sixth largest grocery chain 52 per cent owned by Tengelmann of West Germany, has agreed to offer $31 a share for Shopwell, US retailer, in a deal valued at about $64m. Page 29

RELIANCE CAPITAL, US private investment partnership, has joined the battle for John Blair, New York-based communications group, with a friendly offer which values the company at more than $300m. Page 29

HOCHTIEF, West German construction group, expects 1986 earnings to be satisfactory following a 15 per cent setback to after-tax profits last year. Page 30

GULF & Western, US entertainment and communications group, lifted second-quarter net earnings to $45.7m or 73 cents a share from $24.9m or 35 cents. Page 29

HOECHST, West German chemicals manufacturer, says it expects lower operating earnings this year than in 1985 after a fall in parent company sales revenue of 6 per cent to DM 6.2bn ($2.71bn) in the first five months. Page 29

ELF-AQUITAINE, French state-owned oil group earmarked for eventual sale to the private sector, increased its first-half profits to FFr 3bn ($405m) from FFr 2.9bn last year. Page 29

Kohl acts to calm N-plant fears with environment chief

BY PETER BRUCE IN BONN

CHANCELLOR Helmut Kohl of West Germany moved decisively yesterday to boost his conservative Government's wavering popularity by appointing the country's first Environment Minister and by creating *a women's policy department in the* Youth, Family and Health Ministry.

The decision to create a Ministry of the Environment, Nature Conservation and Reactor Safety comes eight months before the country's next general election and 10 days before a vital state election in Lower Saxony. It is a direct response to the widespread public unease in West Germany following the nuclear reactor disaster in the Soviet Union.

It also amounts to a humiliation for the Interior Minister, Mr Friedrich Zimmermann, whose ministry currently handles the environment.

Mr Kohl's invitation to Mr Walter Wallmann, the popular and successful mayor of Frankfurt, to become Environment *Minister, is thought* likely to meet with widespread approval in the country, and certainly from his own Christian Democrat party (CDU).

It comes just days after the Chancellor was cleared of all suspicion of misleading investigators looking into party financing and almost coincides with signs of new CDU *strength in the polls in Lower Sax*ony, where, after the Chernobyl nuclear accident, the party's chances of retaining control of the state appeared slim.

Partly this was because the Government failed to react decisively enough *in the immediate aftermath* of Chernobyl. The West Germans, sensitive as they are to environmental impurities, were showered for weeks with a stream of conflict*ing information* from both federal and local authorities, about how to deal with radioactive fallout.

Much of the blame for this has been laid at Mr Zimmermann's *door. He also failed last year to win* for West Germany the kind of tough European Community motor exhaust emmission controls he had promised the electorate.

Mr Zimmermann, who belongs to the Christian Social party (CSU), a junior coalition member to the CDU and headed by the Bavarian leader Mr Franz Josef Strauss, also irritat*ed the Chancellor* last year with his hamhanded handling of the defection to East Germany, and the subsequent inquiries into it, of Bonn's top spy-catcher, Hans-Joachim Tiedge.

In weekend meetings, Mr Kohl was able to convince Mr Strauss, who has until now protected Mr Zimmermann from attack by the CDU, that the Government's position was serious enough to warrant the addition to the Cabinet of Mr Wallmann. Mr Zimmermann, who has resisted arguments in the past for an Environment Ministry, is said to have been told of the Cabinet change "very late in the day."

Mr Wallmann's arrival in the Cabinet gives Mr Kohl an extra CDU ally against his often fractious CSU and liberal FDP coalition partners.

Mr Wallmann is due to begin work in Bonn later this week, and its is possible that he will have to deal with an increasingly emotional *row over an apparently minute* leak of radioactivity early in May from a high-temperature reactor in Hamm. The incident only became public late last week and the North Rhine Westphalia Government ordered the closure of the reactor.

The reactor's owners, Vereinigte Elektrizitätswerke Westfalen, were yesterday hoping to restart the reactor, but by last night company spokesmen said they were waiting for a declaration from the Government. Officials in Düsseldorf warned that such a declaration was not likely to be made before today.

A few protesting farmers continued to block roads around the plant yesterday, but it seems highly unlikely that the reactor's short or long-term future is in doubt.

Mr Kohl's decision to establish a women's policy department in a newly named Ministry of Youth, Family, Women and Health, is an attempt to capture ground lost on *women's policy issues to the main* West German opposition, the Social Democrats (SPD), ahead of next January's general election.

The realignment of the ministry also implies a promotion for Ms Rita Suessmuth, the responsible minister, who has been in government for less than a year.

Profile, Page 3

Norway hopes to sell Troll gas to Britain

BY MAX WILKINSON, RESOURCES EDITOR, IN LONDON

A CONSORTIUM led by Statoil, the Norwegian state oil company, is preparing to make a formal approach to the British Government for permission to lay a gas pipeline close to the east coast of England.

The approach is part of a major Norwegian effort to sell gas from its giant Troll field to Britain in the latter part of the 1990s.

This follows the British Government's intervention last year to cancel a $30bn contract between British Gas and Statoil for the sale of gas from the Sleipner field in the central North Sea.

The Sleipner gas, which will be much cheaper to produce than that from Troll, was sold last weekend to a a consortium of buyers from France, West Germany, the Netherlands and Belgium as part of a major contract which also involved the development of the eastern part of the Troll field about 50 miles from Bergen.

The total value of this contract, which runs from 1993 to 2020, is put at about NKr 500bn ($63.9bn) in present-day terms, although the actual value will depend on the future price of oil. Total planned investment is NKr 60bn, of which NKr 25bn will be spent in the Troll field, NKr 15bn in Sleipner and NKr 20bn on building a pipeline to Zeebrugge in Belgium.

The Aborted Sleipner contract envisaged that a pipeline would be built to St Fergus, near Aberdeen in north-east Scotland. However, the new proposal would allow a spur to be connected to Bacton, near Great Yarmouth, Norfolk, which would be much more convenient for Britain.

It is probable that gas piped to Bacton from Troll would be significantly more expensive than that envisaged under the original Sleipner deal. However, the timing and quantity offered could be different, and perhaps more convenient for the British Government.

If the UK Government refuses a licence for the new pipeline, it will be laid further to the east in Norwegian waters.

Continued on Page 28

How Statoil deal was clinched, Page 28

Bouygues wants stake in TF-1

BY PAUL BETTS IN PARIS

BOUYGUES, the leading French *construction group, is planning to* invest FFr 500m ($67.5m) to acquire a major stake in TF-1, the biggest of the three French state networks which the Government is shortly due to sell to the private sector.

Mr Francis Bouygues, chairman and founder of the construction group, said yesterday he was interested in buying a 34 per cent stake in the consortium of private investors who will operate the channel. The Government plans to offer the consortium a 50 per cent stake in TF-1 with the remaining shares going to the public and to employees of the network.

Mr Bouygues said TF-1 was currently valued at FFr 3bn and that his stake in the consortium would cost FFr 500m on that basis. However, there are widely differing estimates on the value of the television channel, with some as high as FFr 6bn. Mr Bouygues suggested he might consider raising his offer but would never go as far as investing FFr 1.5bn in a television channel.

He also confirmed he had talked to Mr Jean-Luc Lagardère, the *chairman of the Matra-Hachette* group, and Mr Robert Hersant, the right-wing publishing magnate, as well as other investors interested in TF-1.

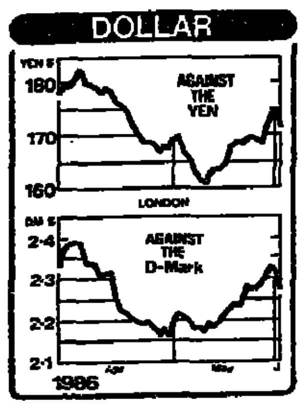
Mr Bouygues said he had no intention of being a sleeping partner if he succeeded in acquiring a stake in TF-1 but would want to participate actively in the management of the network. *He added that* television broadcasting was a sector he was keen to diversify in and that, if the TF-1 deal fell through, he would look for other opportunities in broadcasting.

Mr Bouygues also did not disguise his interest in diversification opportunities in other sectors. The construction group has long been regarded as one of the large private investors to seek new diversification opportunities from the Government's industrial, insurance and banking privatisation programme. But Mr Bouygues said yesterday that at current exorbitant French bourse price levels he would not be interested in buying any as*sets the Government puts up* for sale.

As part of its expansion, Bouygues has just acquired 51 per cent control of Screg, the large French public works and road construction group which was on the verge of bankruptcy. Control of Screg will have cost Bouygues FFr 500m and has made it into one of the world's largest construction groups, if not the largest.

Mr Bouygues said the group's consolidated sales will rise to about FFr 46bn this year as a result of the Screg acquisition from FFr 28.3bn last year. Bouygues expects profits to continue to grow this year from net earnings of FFr 468m last year. The construction group also expects Screg to break even this year and return to the black next year with profits of FFr 50m – FFr 100m, rising further in 1988 to FFr 100m – FFr 200m.

Apart from the FFr 500m planned investment in broadcasting and the FFr 500m for Screg, Bouygues still has about FFr 2.8bn in liquid assets.



Dollar falls sharply

By George Graham in London

THE DOLLAR fell sharply in foreign exchange markets yesterday, bringing to an end a three-week period in which it had rebounded from its year-long decline.

The US currency weakened in the wake of comments from US offi*cials* past and present interpreted as pointing to the need for further depreciation in order to correct the US trade deficit. Heavy selling was triggered as it passed below DM 2.2975 against the D-Mark, pushing it down to end in London at DM 2.274.

The fall of 7 pfg in the past two days has brought the dollar back af*ter a* recovery which had taken it up 7½ per cent against the D-Mark and nearly 9 per cent against the Japanese yen from the low points it reached in mid-May.

In recent weeks, economists have warned that the dollar's decline of more than 30 per cent from its peaks early last year might still not be enough to reverse the US's large external deficit.

The Organisation for Economic Co-operation and Development last week forecast a US current account deficit as high as $125bn next year and called for further progressive depreciation of the dollar, coupled with lower interest rates worldwide and some stimulus to demand outside the US.

Mr David Morrison, chief international economist at securities dealer Goldman Sachs in London, said that the dollar had traded very nervously in the past week and remained vulnerable to the belief that further depreciation would in the end be needed.

"Almost anything negative can *push the dollar significantly down*, because there is an underlying belief in the markets that the dollar has to go lower," he said yesterday.

Japan and West Germany, however, have both advocated a period of exchange-rate stability to enable their economies to adjust to the

Continued on Page 28

Currencies, Page 43

Baker warns of further pressure on currencies

BY STEWART FLEMING IN BOSTON

MR JAMES BAKER, the US Trea*sury Secretary, warned yesterday* that further changes in exchange rates, by implication a lower valuation of the dollar, would be needed to correct international trade and *current account imbalances* if the world economy did not grow faster.

"Germany and Japan with large trade surpluses must recognise the global need for stronger domestic demand to facilitate the adjustment of external imbalances," he said.

Mr Baker was speaking in Boston at an international monetary conference attended by leading bankers.

His comments followed remarks on Monday by Mr Karl Otto Pöhl, the Bundesbank president, who suggested that the major industrial countries should now try to take economic policy co-ordination a stage further by seeking to agree on an acceptable structure of exchange rates between the major currency blocs.

But *the Bundesbank president* reiterated West Germany's position that its economy was growing rapidly enough and that further measures to stimulate growth should not be needed.

Mr Baker yesterday urged banks to prepare to increase their lending to developing countries. Although exchange rates had moved considerably since last September – and although this should play an important role in helping to reduce the US trade deficit – Mr Baker said: "Exchange rate changes alone should not be relied upon to achieve a full magnitude of the adjustments required in external positions."

This was one reason the US placed so much importance on strong, sustained and better balanced growth among industrial countries.

"Not only is such a pattern of growth the foundation for dealing with the debt problems of the developing world, but without greater growth abroad, increased reliance will need to be placed on exchange rates in the adjustment of payments imbalances," Mr Baker said.

Mr Baker's comments underline the emphasis which President Ronald Reagan put in a speech last week on the need for the fast expansion of the world economy in order to head off protectionist pressures.

Mr Baker, however, stressed the trade-off which the US believes is facing its trading partners, namely that, if they do not respond to US calls to speed up global economic expansion, they must then face the prospect of further appreciation of their currencies against the dollar.

Mr Baker also made it clear that he hoped that the understanding reached at the Tokyo summit aimed *at improving economic policy co-or*dination among the industrial countries would make co-ordination more manageable.

"Countries may not always be able or willing to agree on a specific level for their currencies. But they can tell when currency values need to change and the appropriate direction of change," he said.

He saw the focus on exchange rates and current account positions as a key element in assessing economic policy incompatibilities between nations.

● Mr Pöhl said on Monday that the major industrial countries should seek a period of stability in exchange rates in the next few months in order to permit their economies to adjust to the major changes in rates which have taken place in the past year.

Mr Pöhl also cautiously endorsed the idea that, as part of the effort to try to achieve greater stability, governments should "talk about a level of exchange rates which one should see as reasonable and acceptable for the time being."

He implied this was something that *had not happened up to now.* But he stressed he was not advocating any formal commitment to "target zones" for exchange rates or specific action to try to achieve particular exchange-rate relationships, not least because there were other economic objectives which were also important.

The Bundesbank president's re*marks may be read in part as a* political gesture signalling a willingness to be flexible in response to the pressure from Mr Baker to intensify international economic policy co-ordination.

But Mr Pöhl made it clear he believed it was far from certain that the major countries could agree on an acceptable range of exchange rates.

AP-DJ reports: Mr Shiguro Ogata, deputy governor of the Bank of Japan, indicated yesterday that he agreed with Mr Pöhl's proposal.

Mr Ogata said: "I think that exchange-rate adjustment has been made already sufficiently, and this is the time for appreciating and depreciating countries to adjust their respective economies to the new environment created by such a massive change in exchange rates (over) such a short period of time."

Because current account imbalances were so large in countries such as Japan and the US, it would be "too painful" if these countries relied only on exchange-rate adjustment to reduce these imbalances, he said.

CONTENTS

Jonathan Carr attends a Berlin conference on EEC-Japan relations which produces some surprising results

Japanese find it hard to take the Europeans seriously

IT IS an odd trial in which the prosecution and defence switch roles. So it was at a recent conference on European-Japanese relations in Berlin, attended by representatives of governments, academic life, the press and the European Commission. Many of the Europeans expected to be able to put Japan in a corner because of its huge trade surplus and slowness in opening up its financial markets. But that was not quite the way things worked out.

The Europeans argued, as often before, that the Japanese surplus (especially towards the European Community) destabilised the world economy and that Tokyo faced a major credibility gap.

A European Commission official noted that Japan had constantly announced packages to open its markets and stimulate imports but that the surplus had gone on growing. It might be better, he suggested ironically, if Tokyo moved instead to close its markets.

Initially the Japanese replied with more-or-less technical arguments. They noted that the rise in the yen should help correct the surplus in the medium term (although in the short run the surplus would probably swell further). They argued that they broadly recognised the need to boost and restructure internal demand but this involved long term social and economic changes.

After hours mulling over these well-rehearsed arguments, the discussion became much more frank. One Japanese said bluntly that many of his countrymen felt Europe was "going down the drain." People at home had a fairly clear impression of nation states like Britain or France but the EEC had "a fuzzy image" — some kind of trade group which kept complaining about Japan because it was too weak to compete effectively.

> One Japanese said bluntly that many of his countrymen felt Europe was "going down the drain." People at home had a fairly clear impression of nation states like Britain or France but the EEC had "a fuzzy image"—some kind of trade group which kept complaining about Japan.

Other Japanese argued that many at home admired European art and culture. But even here there were signs of a change in balance. A Japanese professor recalled that as a university student he had spent more time learning about Europe than about Asia — or even about Japan. The admiration remained for European culture but it was becoming less exclusive.

A similar, and to some Europeans surprising, self-confidence emerged when the discussion turned to relations with the superpowers. The general Japanese view was that the Soviet Union posed little threat to Japan's security.

One Japanese academic argued that the Soviet Union was only a superpower militarily but crucially weak economically and bankrupt ideologically. A Tokyo Foreign Ministry official felt Soviet foreign policy in Asia had been largely a flop—for instance Moscow's support for Vietnam had lost its leverage with the states of Asean (Association of South East Asian Nations).

He noted that Moscow in the Gorbachev era was re-assessing its previously cool relations with Tokyo and he stressed that Japan planned to use its economic card in any forthcoming political bargaining with Moscow.

China, everyone agreed, was not (yet) a superpower—but could it not be propelled quickly in that direction through close alliance with Japan to create a new power structure in South-East Asia and beyond? After all, some Europeans argued, the two looked complementary economically—Japan with its technology and export strength, China with its raw materials and potentially huge market.

The Japanese were much cooler pointing to Peking's already big trade deficit with Tokyo as well as to political and psychological differences. Ties would gradually become closer, yes, but one should not underestimate the backwardness and structural difficulties of China's economy.

"China is able to project a very strong image and the rest of the world falls for it," said a Japanese expert on Peking politics.

It was on relations with the US that the Europeans and Japanese had the most strikingly different views. European participants (even those from Britain, which is widely felt to have a "special relationship" with the US) strongly criticised the Reagan Administration on issues from arms control and the Middle East to economic policy.

The Europeans asked whether there were areas where Europe and Japan could co-operate more closely—for example in space technology, currency stabilisation or even on nuclear arms control. "Do our contacts so often have to pass through Washington first?" one European wanted to know.

But the Japanese seemed unconvinced that the Europeans had much to offer which they could not get better in the US (although the matter was left open), and they were less inclined to judge the Reagan Administration harshly.

True, they had their problems but, said one Japanese official "(ex-President Jimmy) Carter was the real catastrophe for us with this threats to weaken the US presence in Asia." The Japanese were pleased to have the US nuclear umbrella he said—although he added with a self-confidence typical of the session that this did not cost the Americans very much either.

The final message was that if the Europeans wanted to be taken more seriously they had to get their act together politically, technologically—and perhaps militarily as well.

Mr Bujak: charged with planning to overthrow system

Bujak faces ten years in prison

By Christopher Bobinski in Warsaw

MR ZBIGNIEW BUJAK, the underground Solidarity leader arrested last Saturday morning after evading capture since December, 1981, is to be charged with planning the overthrow of Poland's Communist system, Mr Jerzy Urban, the government spokesman, said yesterday.

The charge carries a maximum prison sentence of ten years.

Mr Urban added that a search of the flat in which Mr Bujak was arrested had revealed hard currency and documents showing links with "subversive centres" abroad.

Mr Konrad Bielinski, a leader of the movement in Warsaw arrested on the same day, is to be charged with the lesser offence of leading a clandestine organisation. This carries a maximum penalty of five years in prison.

Ms Ewa Kulik, also detained, has been charged with the same offence as Mr Bujak. Other arrests could follow, Mr Urban said.

Meanwhile, the remaining two members of PKK, the clandestine Solidarity leadership, have issued a statement saying that despite the arrests the movement continues to function "at all levels." Mr Urban, speaking at his regular news conference yesterday, explained the delay in capturing Mr Bujak by saying that the secret police had not considered it to be a prime aim.

UN civil servants plan demonstration over pay

BY WILLIAM DULLFORCE IN GENEVA

UNITED NATIONS civil servants will take to the streets of Geneva today in protest at cuts in their pay and pension benefits. Their working conditions have been affected by the economies introduced by Mr Javier Perez de Cuellar, the UN secretary-general, to meet a $100m shortfall in the organisation's budget for 1986. This has been caused by the refusal of the US and other large contributors to fulfil their commitments.

The Federation of the Associations of International Civil Servants hopes that some thousands from the UN office in Geneva and eight specialised agencies will join in a march from the International Labour Office to the Palais des Nations, where a statement of protest will be read and a cable sent to Mr Perez de Cuellar in New York.

Ms Marjorie Dam, spokeswoman for the Federation, said yesterday that UN staff would no longer tolerate attacks on their integrity, competence and efficiency from the floor of the UN General Assembly and from other governing bodies.

Their chief complaints, however, concern cost-cutting measures to solve the UN's financial crisis which, Ms Dam claimed, had reduced the earnings of UN staff in Geneva, Vienna and Paris by 10-15 per cent since March, 1985 and seriously curbed their pension rights.

Cost-of-living adjustments for almost 20,000 staff have been frozen since December, 1984 and pensionable salaries, on which pensions are calculated, were reduced from January, 1985.

Mr Perez de Cuellar ordered a $30m reduction earlier this year in the $830m budget for 1986. This was to be realised by halting recruitment, promotions and cost-of-living adjustments and by curbing allowances.

A special Assembly meeting last month sanctioned most of a further $30m package of cuts he proposed to achieve by shortening or cancelling meetings and delaying work on conference buildings.

Today's demonstration is timed to influence a meeting of a UN pension board in Copenhagen next week and a meeting of the International Civil Service Commission in New York in July.

Eastern Europe and China increase ties

By Leslie Colitt in Berlin

CHINA AND Eastern Europe are stepping up economic and political ties despite the continued strained relations between Peking and Moscow.

The Chinese Foreign Minister, Wu Xueqian, began talks yesterday in Budapest with his Hungarian counterpart, Mr Peter Varkonyi and is expected to meet Mr Janos Kadar, the Hungarian leader. Next Sunday, Mr Mikhail Gorbachev, the Soviet leader, begins an official visit to Hungary.

China has not had ties with the Communist parties of the Warsaw Pact countries since its break with the Soviet Union in the early 1960s, but during Wu's visit to East Berlin earlier this week when he met Mr Erich Honecker, the East German leader, the two said their countries would expand relations.

We signed a consular agreement in East Berlin and a two-year accord on cultural and economic-technical co-operation.

East Germany is to modernise several Chinese factories under a five-year trade accord signed in Peking last year.

Engineering strikes postponed in Sweden

SWEDISH METALWORKERS yesterday postponed selective strikes against 19 of the country's largest engineering companies at a Government mediator's request, Agencies report from Stockholm.

A union official said the walk-out by some 17,000 members—set to begin yesterday—had been deferred until Friday to give mediators time to negotiate a settlement in the pay dispute.

Employers, organised in the Association of Swedish Engineering Industries, also agreed to postpone a lockout against 180,000 engineering workers that would have shut the entire engineering industry. The latter accounts for half Sweden's exports.

The lockout, scheduled to start today in response to the strikes, had been postponed until this weekend, an association spokesman said.

The metalworkers' strike call was in support of higher pay levels this year for low wage earners. A framework agreement was reached earlier by the LO trade union confederation and Sweden's employers' federation but the metalworkers and engineering industry employers differed on how to interpret it.

Meanwhile, a strike by 9,000 public employees—among them more than 2,000 doctors at 10 large hospitals — entered a 13th day in an apparent deadlock.

The public employees are striking for higher pay. Doctors involved earn an average of SKr 18,000 (£1,658) a month and are pressing for increases of about 8 per cent. They claim they have not been compensated for inflation since the mid-1970s.

Child care, infectious disease, cancer and psychiatry wards are exempted from the strike but work loads were mounting.

Emergency wards at Sahlgrenska hospital in western Goteborg reported that they were receiving double the normal number of patients. Patients were reported to be sleeping on beds in corridors and only acute operations were being performed.

Italian cabinet backs new lira

BY JAMES BUXTON IN ROME

ITALY'S INCONVENIENTLY prolific currency is due to disappear. The cabinet, presided over by Mr Bettino Craxi the Prime Minister, yesterday approved a bill introducing a currency worth 1,000 times the present lira. The bil must be approved by Parliament.

The new currency, whose introduction should begin next year, means that 1,000 lira will become one new lira or lira nuova. Each new lira will be divided into 100 cents.

It will mean that Italy will have one of the larger currency units in the world. The D-Mark on present value would be equal to about 68 Italian cents, the pound sterling to 2.35 new lire, and the US dollar to 1.56.

Mr Craxi's Government sees the introduction of the new lira as the symbolic climax to Italy's long descent from high rates of inflation. Yesterday, the state statistics institute, Istat, announced that the consumer price index fell last month to an annual rate of 6.4 per cent compared with 6.6 per cent in March. The government expects the annual inflation rate to reach 5 per cent by the end of the year.

The Bank of Italy has already made the necessary preparations for the issue of the new lira. It is reckoned that the operation will take at least a year during which both old and new currencies will circulate.

Last month, the cabinet approved the issue of the new currency in principle, but failed to agree the details of the operation

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main. Guiollettstrasse 54, 6000 Frankfurt am Main 1. © The Financial Times Ltd, 1986.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to: FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

France to boost building of houses

By David Housego in Paris

THE FRENCH Government yesterday announced a substantial package of measures intended to boost housing construction, including the scrapping of the rent act introduced by the Socialists in 1982.

The so-called "Loi Quilliot," which prevented landlords from increasing rents, has been largely blamed by the building industry for the plummeting number of new housing starts and the shortage of rented accommodation in major cities.

The number of housing starts has dropped from an average of 550,000 a year in 1970 to below 300,000 a year in 1984–85.

Details of the new measures were presented yesterday by Mr Pierre Mehaignerie, the Minister for Public Works and Housing, before being incorporated in legislation later this month. The tax deductions, designed to revive investment in rented property and encourage first-time buying, are expected to cost FFr 2.5bn ($337m) in a full year.

Property groups and the building industry yesterday welcomed the measures which should help limit further job losses in the construction sector.

The "Loi Quilliot" is to be replaced by a new law which will gradually allow landlords to adjust rents in line with market values. The change will run into opposition from rentpayers who were strongly protected by the 1982 legislation.

Among tax incentives to be introduced, the relief on income from rented accomodation will be raised from 15 to 35 per cent and the deductible tax ceiling on interest payments on new housing loans will be doubled to FFr 30,000.

In progressively removing the controls on rents, the Government's aim is to avoid an adverse effect on the inflation figures.

Working hours

THE strike in 1984 by West German trade unions for a shorter working week resulted in the working week being reduced from 40 hours to 38.5 hours, not 37.5 hours as reported in Tuesday's Financial Times.

EEC set to put less stress on N-power in energy planning

BY QUENTIN PEEL IN LUXEMBOURG

NUCLEAR POWER seems certain to receive less emphasis in the long-range energy planning of the EEC, following the public concern over the Chernobyl nuclear reactor disaster.

In spite of warnings from the European Commission of oil shortages by 1990, EEC energy ministers were set yesterday to cut out any reference to an "increasing role" for nuclear power generation in their ten-year energy guidelines.

Denmark was isolated, however, in seeking to remove any reference at all to nuclear power from the declared objectives of the 12 member states. It will still be said to play "an important part" in future planning.

The ministers debated for hours how much stress to put on nuclear power generation, and nuclear safety, in the plan which is intended to co-ordinate the Community's reduced reliance on oil imports over the years.

Supporters of nuclear power, headed by France (with 65 per cent of all its electricity coming form the source) were determined to keep the stress on its importance. French officials argued that too much emphasis was being put on the need for safety measures, and not enough on its role in generating electricity already averaging some 35 per cent in the EEC.

The debate was launched after Mr Nicolas Mosar, the Commissioner responsible for energy, warned that forecasts of energy consumption suggested that oil could again be in short supply by the end of the decade. At current prices of around $15 a barrel, EEC oil imports could increase by 1.5m barrels a day (b/d) above current estimates, he said.

The same analysis for the US would raise their imports by 5m.

If Japan and other industrialised oil importers were added, he suggested, the current excess capacity of Opec countries of 8m-10m b/d might not prove enough to satisfy demand.

● The Chernobyl disaster could have beneficial side-effects for the French nuclear power industry by increasing exports of French electricity to neighbouring countries, Mr Marcel Boiteux, president of Electricite de France, said yesterday, writes David Marsh in Paris.

He said the accident would probably have no more than a temporary effect on French public acceptance of nuclear power. But he suggested that programmes in other European countries, such as West Germany or Britain, could be held up or stopped by increased public opposition.

THE DEATH toll from the Chernobyl accident has risen to 25, Dr Yevgeny Chazov, a senior Soviet doctor, said yesterday. Another 299 people are suffering from acute radiation sickness, writes Patrick Cockburn in Moscow.

All but two of the 25 have died as a result of radiation, mostly absorbed during the first day after the accident on April 26.

If so, France's objective of boosting electricity exports to neighbouring countries to 40bn kW hours by 1990 from 23.4bn kW hours last year would be "strengthened."

● Switzerland is proposing that the international community agree on a scientific basis for co-ordinating measures against radioactive contamination, writes William Dullforce in Geneva. It suggests that common standards should be established for protecting health and controlling trade in farm products.

The Swiss Federal Council (government) has instructed the Interior Ministry to contact the World Health Organisation and the Organisation for Economic Co-operation and Development's nuclear energy agency, to see if agreement can be reached with the principal nuclear energy producing countries.

● Czechoslovakia has agreed to provide Austria with more information about its nuclear energy programme, a spokesman for the Austrian Chancellor said yesterday, writes Patrick Blum in Vienna. The move was agreed during a two-day visit to Vienna by Mr Bohuslav Chnoupek, the Czechoslovak Foreign Minister. Austria has become increasingly concerned about plans by its neighbours East and West to build nuclear plants.

N-power faith unshaken, Page 8

Dissident's wife returns to exile

MRS YELENA BONNER, wife of Dr Andrei Sakharov, the dissident Soviet scientist, was scheduled to return to exile in Gorky last night after six months in the West for medical treatment, Patrick Cockburn reports from Moscow.

Mrs Bonner said in Moscow before departing: "I want to see my husband and have a rest. I'm terribly tired."

Although more than 280 Soviet citizens have received permission to leave the Soviet Union for the US, there are at present no signs that Dr Sakharov will be allowed to return to Moscow from internal exile in the city of Gorky.

The six months leave of absence given to Mrs Bonner by the Soviet authorities has clearly not defused the issue of her husband's exile as much as the Government hoped. Mrs Bonner said that she had sent a telegram to her husband asking him to meet her at the station in Gorky where she arrives tomorrow morning.

Irish strike ends

A three-week strike by Irish Agriculture Department inspectors, in which the army was used to maintain dairy exports, has been settled and the troops withdrawn. The inspectors accepted a cash settlement of their claim for arbitration awards.

Spanish ports hit

Spanish dock workers began a 10-day strike as the Stevedores' Union met government officials in Madrid to discuss a port reorganisation plan that could cut 3,000 jobs. Only Vigo and El Ferrol in the north-west and Seville in the south were working normally out of Spain's 27 ports.

Lawyer murdered

A Basque lawyer was found dead in his home in San Sebastian, Spain, with his wrists tied with chains. His son said he believed his father had been killed by ETA guerrillas.

Yugoslav inflation

An average family of four in Yugoslavia had to spend 121 per cent more on consumer goods in May, compared with the same month a year ago, the Politika daily newspaper reported.

Brazil makes arrears payment in hope of easing deal on debt

BY RICHARD FOSTER IN BRASILIA

BRAZIL will make a partial payment on its $2.4bn arrears to the Paris Club, possibly this month, in the hope the gesture will facilitate future agreements with the 17 Western members of the club for rescheduling $8bn (£5.4bn) in government - to - government credits.

Brazil has paid neither interest nor principal to the Paris Club since January of last year. The Government's position is that, until credits are rescheduled, current interest and principal will be retained in the country's Central Bank.

The Paris Club has insisted firmly it will not reschedule Brazil's credit, until Brazil submits to IMF monitoring, a policy vehemently rejected by the country's new civilian government.

President Jose Sarney's administration accepts that a partial payment will not lead immediately to a rescheduling of its Paris Club credit, but may ease tension between Brazil and creditor governments. Two meetings this year between Brazilian negotiators and Paris Club representatives have not produced a solution to the impasse.

Paris Club governments have also made it clear to Brazil that its application for $1bn in World Bank loans for investments in agriculture and electricity will be looked on more favourably if part of the Paris Club arrears is liquidated.

Brazilian officials were told of the World Bank loans, if not directly contingent on a breakthrough in Paris Club negotiations, would at least be approved with less difficulty following the Brazilian concession.

The World Bank Board of Governors meets in mid-July to review Brazil's request.

Brazil has applied for $500m for its farm sector, $400m to increase production of basic foodstuffs such as rice, beans and corn, and $100m to finance regulatory stocks, primarily an anti-inflation device.

Another $500m is under review for Brazil's highly indebted electricity sector, which is currently unable to make payments on its foreign debt of $15bn and still maintain current investments in crucial items such as transmission lines from the giant Itaipu dam to leading cities such as Sao Paulo.

Ecuador austerity policy suffers setback at polls

ECUADOR'S CONSERVATIVE President, Mr Leon Febres Cordero, faces increasing difficulty in imposing austerity policies on his troubled oil-exporting nation after mid-term congressional elections won by his opponents, Reuter reports from Quito.

With the prospect of a hostile congress, Mr Febres Cordero confronts the challenge of concluding delicate negotiations with foreign creditors to secure vitally-needed foreign exchange for Ecuador, an Opec member squeezed by low prices for oil, its main export.

Returns from Sunday's elections showed centre-left and Marxist parties winning 55.5 per cent of the vote against 35.5 per cent for pro-government conservative parties. Nine per cent of the vote went to neutral, centrist parties.

Sarita Kendall in Quito adds: The election defeat should force the Government to move away from the right-wing policies which have won approval in Washington. Mr Febres Cordero began his four-year term in 1984 with Congress against him, but negotiated an alliance backed by small political groupings and independents.

Both government and opposition leaders agree that the administration will have to re-think its programme for the next two years as a result of this defeat.

The election results reflect widespread discontent at a time when the Government may have to push through unpopular economic measures. Decisions on devaluation, prices and other problems have been put off since the beginning of the year when Ecuador's oil earnings began to fall. This year's loss in oil income is likely to be equivalent to the interest payments on the foreign debt, and the Government is negotiating further loans.

Alternatives to Panama Canal studied

By Robert Graham in Panama City

A TRIPARTITE commission, formed by representatives from Japan, Panama and the US, have begun studies on alternatives to the Panama Canal.

The studies are expected to take at least four years, and will cover detailed analysis of world trade trends in the 21st century as well as the implications for US-Panamanian relations after the existing Canal Treaty expires in 1999.

The idea for a fresh study of Panama Canal alternatives was proposed by President Ronald Reagan to the Japanese Government in May 1981.

Japan, after the US, is the second biggest user of the Canal. It has taken lengthy negotiations since then to draw up guidelines for the tripartite commission. President Reagan said the study was "an opportunity to look co-operatively into the future, an effort which will benefit not only our individual countries but will enhance our international partnership."

The message added that the treaty would also assist in determining "how our two countries might best co-operate to advance the mutual interests which we will surely share after our existing treaty relationship ends in 1999." President Reagan strongly opposed the agreement to end the canal treaty concluded by former President Jimmy Carter and the late Panamanian leader Gen Omar Torrijos.

This is believed to be the first time President Reagan has publicly accepted that the US should look to a new relationship with Panama beyond 1999. Part of the Canal Zone remains under US control, and the US retains important military installations here.

The commission will be examining a number of possible alternatives — from enlargement of the existing canal which has operated for 72 years, to new maritime and land routes across the Isthmus.

According to a commission spokesman, the study has a $20m budget, most of which will be used to pay for work contracted out.

Nasa under fire for shuttle crash

BY NANCY DUNNE IN WASHINGTON

THE SPECIAL commission appointed by President Ronald Reagan to investigate last January's space shuttle disaster has concluded that the accident ought never have happened and is harshly critical of the National Aeronautics and Space Administration (Nasa) responsible for the shuttle programme.

The 225-page report, which is due to be presented to the White House on June 6, strongly criticises Nasa's management practices and recommends a greater role for astronauts and contractors in new safety procedures, according to Press reports.

The shuttle Challenger exploded soon after launch from Cape Canaveral, Florida, on January 28, killing all seven aboard.

The 13-member presidential commission, headed by Mr William Rogers, the former Secretary of State, has as expected decided that the immediate cause of the accident was a faulty seal joining two lower segments of the shuttle's right-hand rocket booster.

Freezing temperatures at the time of the launch were blamed for the failure of the rubbery O-ring seal, which allowed burning fuel to escape from the joint.

The commission discovered that one of the re-usable rocket booster segments had been distorted during previous launches, according to an NBC news report.

During preparations for the ill-fated Challenger launch it was fitted into its adjoining segment so tightly that it could not move as it was designed to do during the launch process.

While the report is said to be critical of Nasa, it reportedly fails to deal with charges of White House pressure on the launch and cover-up by officials at the Marshall flight centre, where engineering notes were destroyed after the accident. Mr Rogers recently said that Nasa "almost covered up" evidence of design flaws that caused the disaster.

The commission is said to have recommended that the rocket joints be redesigned so that they were insensitive to temperature, water, ice and stresses in manufacture and installation. It calls for a safety panel of outside experts to supervise the redesign, but it leaves most of the work to Morton Thiokol, which builds the rockets.

Fittingly, Mr Allan McDonald, the Thiokol engineer who opposed the launch and was demoted after testifying before the commission, will head the task force in charge of redesigning the shuttle. Mr Jerry Mason, the senior vice president, who overruled his engineer's objections, will take early retirement on June 30.

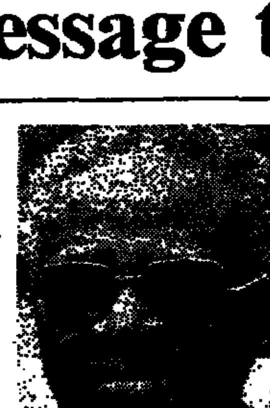
Canada has made apartheid a domestic issue, reports **Bernard Simon**

Tutu takes his message to Toronto

BISHOP Desmond Tutu scored a small victory over the South African Government last weekend far away from the battlefields of his country's black townships. In Toronto, the South African Consulate cancelled its annual national day reception on May 31, to avoid an uncomfortable clash with a big anti-apartheid march which the winner of the Nobel Peace Prize led through the streets of the city to the Ontario provincial legislature.

The presence of Bishop Tutu and a Canadian representative—Archbishop Edward Scott—in the Commonwealth's eminent persons group which is seeking a political settlement in South Africa—helps make apartheid a domestic issue.

The seven member Commonwealth eminent persons group is due to start a three day meeting in London today to draw up a report on its efforts to promote dialogue between black and white in South Africa. The report is expected to recommend further sanctions against the Republic if it concludes that Pretoria's response to its initiative, which includes a call for the release of detained African National Congress leader Mr Nelson Mandela, is unsatisfactory.



Bishop Tutu

The struggle for South Africa may be at its most violent in the dusty townships and community halls of rural towns. But as the Consulate's dilemma demonstrated last week, an intense battle for South Africans' hearts and minds is also being waged far from home.

Toronto's reputation as one of North America's most easy-going and cosmopolitan cities has helped a large community of black and white South Africans — university students, African National Congress organisers, business people, homemakers and a handful of diplomats—turn it into a microcosm of their sad country 8,000 miles away.

Even in gentle Canada, South African politics are scarred by frustration and intolerance. Black militants cruelly victimise Zulu Chief Gatsha Buthelezi's nephew, a student at the University of Toronto, by tampering with his car and trying to deny him access to university facilities. One angry Canadian recently threw a ceremonial mace at the South African Ambassador while he was addressing a university audience.

While black exiles spearhead the anti-apartheid protests, most white South African expatriates (many of them now Canadians) relax at home in the suburbs, enjoying the same privileges they had in Johannesburg or Cape Town—ranch-style homes swimming pools and barbecues (perhaps cooking the biltong and boerewors provided by one enterprising local butcher). Their concerns centre on families, friends and money still trapped in South Africa.

Canadians, whose politics are usually as dry as prairie dust, seem pleased to have a juicy issue into which they can sink their teeth. They have taken up the anti-apartheid cause with a fervour seldom shown in domestic politics. Sanctions against South Africa was the subject of a two-hour national radio phone-in show two weeks ago. Bishop Tutu was the first foreigner invited to address the Ontario legislature in a quarter century.

The Bishop's visit to Toronto was the climax of a week-long Arts against Apartheid festival, which has heightened Canadian concern at events in South Africa, but also provided locals with an insight into the pitfalls and ironies of South African politics.

The festival's organisers forbade Canadian companies with investments in South Africa from participating as corporate sponsors. But they were divided on what to do about Canadian subsidiaries of US investors. As it turned out, Holiday Inn and Xerox — both of which have substantial interests in South Africa — were among the festival's leading corporate lights. Xerox's involvement spawned a petition by radicals condemning its hypocrisy, a view shared by many conservative whites who look at the company's conduct from the opposite perspective.

The international accountancy firm Deloittes — which also has a big South African branch — provided a secretary-treasurer for the festival committee. The man, a black African, resigned after taking a more liberal stand than the rest of the committee on corporate participation.

Many whites — Canadians as well as former South Africans — chose to ignore the festival. Lack of support forced the cancellation of one dance event. But Royal Trust, whose president comes from Afrikaner stock, took a table (at C$180 (£49) per head) for the Tutu dinner.

The Bishop wound up his visit to Toronto by indulging himself in a way he could never do in his Calvinist, cricket and rugby-mad home country. He attended a Sunday afternoon baseball match, delighting the crowd by donning a white-and-blue baseball cap as a contrast to his cassock and clerical collar.

Mediator intervenes in AT & T strike

GOVERNMENT MEDIATORS have called leaders of American Telephone & Telegraph (AT&T), the biggest US long-distance telephone company, and its largest employee union back to the bargaining table, AP reports from Washington.

The Federal Mediation and Conciliation Service arranged meetings between AT&T Vice President Raymond Williams and Mr Morton Bahr, president of the Communications Workers of America.

Some 155,000 union members, almost half AT&T's workforce, went on strike on Sunday. They vowed to break a pattern of giveback contracts imposed on wage earners in recent years.

Garcia extends curbs

Peruvian President Alan Garcia, facing a wave of leftist guerrilla attacks in Lima, has extended a state of emergency in the capital and postponed a visit to Europe, Reuter reports from Lima.

Mr Garcia held a six-hour meeting with military chiefs and announced that the state of emergency imposed in February in Lima, which includes a curfew and suspends key constitutional rights, would continue for another 60 days.

Philippines' aid

Senate Foreign Relations Committee Chairman Richard Lugar yesterday proposed an additional $100m (£66m) in economic aid to the Philippines beyond the $150m already promised by President Reagan, Reuter reports from Washington.

Argentine minister

President Raúl Alfonsín of Argentina has accepted the resignation "for health reasons" of Defense Minister German Lopez and named deputy defense minister Horacio Jaunarena to fill the cabinet post, AP reports from Buenos Aires.

Salvador peace move

Salvadorean rebel leader Mr Guillermo Ungo has said he received "favourably and in positive terms" an invitation by President Jose Napoleon Duarte for a third round of dialogue aimed at ending El Salvador's six-year-old civil war, Reuter reports from San Salvador.

Australia considers defence self-reliance

By Emilia Tagaza in Canberra

AUSTRALIA is moving towards a big shift from its current forward defence strategy linked closely with its Anzus allies, to a self-reliant stance in handling its own defence to 1,000 miles from its shores.

Mr Kim Beazley, the Defence Minister, yesterday tabled in Parliament a government-commissioned report reviewing Australia's defence capabilities and strategies. He strongly endorsed the recommendations and said a policy paper would follow based on the report.

Central to the report, prepared by Mr Paul Dibb, a former defence intelligence officer, is the "strategy of denial" designed to pre-empt any enemy well before it reaches Australian shores. Essential to this strategy is an intelligence and surveillance system capable of detecting potentially hostile forces from very long distances.

Mr Dibb urges the expansion of over-the-horizon radar based in south-western Australia which is capable of detecting activity in air and sea approaches up to 1,500 nautical miles. He also recommends aircraft and vessels with both surveillance and strike capabilities.

The strategy of denial is based on the belief that Australia faces no foreseeable armed threat and that it would take at least 10 years for any regional enemy to build up the capacity to attack Australia.

The opposition has criticised Mr Dibb's strategy as "fortress Australia"—a very reactive and defensive posture.

In asserting defence self-reliance, the Dibb report said it is not vital for Australia to become involved in US contingency planning for a global war, as expected under the Anzus treaty.

● An official probe into the conduct of Mr Lionel Murphy, Australian High Court judge, began yesterday to decide whether he should be removed from his post, Reuter reports from Sydney.

The commission of three retired judges has been specially empowered by the federal parliament to examine new claims against Mr Murphy, including one allegation that his name has been mentioned in secret official reports on organised crime.

Lebanon militia storms Moslem rivals' headquarters

BY NORA BOUSTANY IN BEIRUT

FIERCE inter-Moslem street fighting in West Beirut overnight and yesterday morning overshadowed a war in the refugee camps, now in its third week, with the Shia Amal militia overrunning the headquarters of its Sunni antagonists.

Battles raged during the night around the predominantly Sunni district of Tarik Jedideh pinning workers at the Maqassed hospital and imperilling the lives of some 2,000 children trapped in the Islamic Orphanage north of the camps.

A preliminary casualty toll put the dead at 10 and the wounded at more than 60. This was in addition to 70 killed and 350 injured since a war of attrition broke out in the Palestinian camps on the southern fringes of Beirut.

Bearded gunmen spilled into the streets crouching at street corners as mortars and rockets crashed around residential areas preventing rescue teams and fire fighters from evacuating victims.

Amal announced it had stormed the offices of Mr Chaker Berjawi, leader of a Sunni militia opposed to Shia dominance over West Beirut.

Amal spokesmen claimed that Palestinian guerrillas had joined the fight on the side of Sunni gunmen outside the refugee camps. "The Palestinians are involved in combat yet the camps are quiet. Abu Ammar (PLO chief Yasir Arafat) wants to wage his battle outside the camps," Amal claimed.

Mr Walid Jumblat, the Druze chieftain, publicly denounced the PLO leader on Monday for sending fighters and funds to Beirut and the camps.

Mr Joseph al Hashem, Lebanon's Health and Communication Minister, called on Syria, Algeria and Saudi Arabia to form a tripartite committee for urgent and rapid intervention. He pressed those countries to put "an end to the consecutive massacres targeting Lebanon and its people." Mr Al Hashem served notice that the Arab environment would not be spared from "unchecked terrorist contamination in Lebanon."

Fears of hostilities expanding beyond the periphery of Palestinian shanty towns proved genuine against a backdrop of mounting resentment among non-Shia Moslem groups against the capital's downward slide into anarchy, terror and daily robberies.

After Amal announced its takeover of the main Sunni stronghold, it warned against looting or "encroachment on private property," a reference to the current practice by militias to squat in vacated flats after bouts of fighting. Mr Nabih Berri, the Amal leader, cautioned that any violators would suffer the "penalty of execution."

Nora Boustany reports on changing standards of education

A different kind of Beirut university

THE standards of education in Lebanon, like the value of the Lebanese pound, have been slipping for some time.

After the drain of qualified Lebanese teachers, the exodus of foreign academics is likely to reinforce the downward trend. Once the mecca of students in pursuit of a quality education and meeting place for professors lured by an atmosphere of liberalism and serious research, Beirut is now losing its reputation.

The assassination of two British teachers and an American librarian from the American University of Beirut last month shocked Westerners still clinging to an ideal of fulfilling their mission in the Moslem-dominated western half of Beirut. No longer able to invent rationales for braving kidnappings, killings and endemic street fighting, most of the few remaining expatriates were evacuated.

At the American University only 10 foreign professors remain. Before the civil war, AUB had at least 150 non-Lebanese on its faculty. Only a handful of French teachers waiting for the end of the term still work in West Beirut. One French teacher was abducted and another shot during April.

The flight of lecturers, journalists and diplomats, usually the most persevering of West Beirut's residents at times of crisis, has cast a cloud of gloom over the city. Prospects for Beirut's favoured position as a centre for knowledge, diversity and enlightenment appear dim.

A university student, saddened by her teachers' departure commented: "They made Beirut what it was. It is their town. They deserve to be here more than all those strange gunmen." Not only Western teachers have abandoned West Beirut and its educational and cultural institutions: many Lebanese have also left. At a medical conference held in New Orleans, Louisiana, last week there were 10 Lebanese neurologists who left Lebanon recently.

Dr Najib Abu Haidar, a professor of internal medicine at the American University Hospital (AUH) and a former minister of education, said the medical school lost over 60 of its best doctors over the past two years.

"Many left because they feared for the safety of their families, they were after better living conditions, higher pay. It takes a lot of devotion, money and hard work to train a good doctor," he added. Since AUH is essentially a teaching hospital, the main worry is that the loss of valuable instructors and professors will have a long-lasting effect on the training of future replacements for doctors.

The evacuation of nearly all language professors at the university has given rise to speculation among teachers that in a few years Arabic may become the main teaching language. The most disheartening thought to people fighting for the survival of the university, the gem of all Mediterranean institutes of higher learning pre-war, is that its liberal tradition and Western-style education will not endure its rapidly changing environment.

Members of the middle class have emigrated to the US, Australia and Europe and mountain people and Shi'ite Moslems from South Lebanon have swept into the city, altering basic demographic trends. The university's shortage of foreign input and talented students in a setting of guns and warring militias will not force a closure of the university, officials insist.

However, they make no secret of the fact that different enrolment trends and the hiring of locally-bred professors will force standards to decline. Mr John Monroe, professor of English at the university, predicted that its future will be that of a junior or community college. "Students who have just graduated will be employed as teachers and the university will go on giving degrees," he said.

"The university's policy of emphasising graduate degrees; churning out a high number of doctoral degrees in physics and chemistry, will have to be readjusted. We just have to tune ourselves to a different kind of university if we are going to stay in business," Mr Monroe added. "It is not surprising that the university is in such a mess. The miracle is that it stayed open. I feel proud to have been identified with an institution which did go on despite the odds," he observed in summing up 11 years of war.

Amal militiamen fire into Bourj al-Barajneh refugee camp

The sad state of the university is similar to that of most schools in Beirut. Dr Abu Haidar described it as the "struggle between good and evil." Though the university's board of trustees is determined to keep it going, there are apprehensions that its accreditation would be lost if an accreditation committee came to Lebanon.

The university's deficit, in excess of $13m (£8.8m) despite a budget cut from $85m to $60m. US government funding is likely to continue because "it makes a great deal of sense for the U.S. to maintain an institution in an area which is almost certainly going to be in the heart of radical Islam," university officials maintain.

"As long as there are students willing to fight and stand up for their ideas, this campus will be healthy and we will go on serving it," concluded Mr Abu Haidar.

Sierra Leone election strengthens position of president

BY PETER BLACKBURN IN ABIDJAN

● Gen Momoh (left): pledged to end corruption

SIERRA LEONE'S general elections, the most peaceful for more than a generation, have resulted in a major turnover in Parliament and should strengthen the position of the country's new president Maj.-Gen. Joseph Saidu Momoh.

Final results for the elections held last Friday, are not due until later this week because of poor communications, but four Cabinet ministers and many veteran politicians have already lost their seats.

Polling is to be repeated tomorrow in 15 constituencies where irregularities were reported. Fuel shortages also delayed the transport of ballot boxes to many polling stations, and Gen Momoh himself had to wait five hours before voting.

The elections had been called more than a year early in order to elect a parliament that would give greater support for the "new order" proposed by Gen Momoh who took over last November as the nominated successor to the 81-year-old president, Mr Siaka Stevens.

Most members of the outgoing parliament owed loyalty to Mr Stevens, who remains chairman of the All People's Congress, the country's sole political party.

Gen Momoh is pledged to end the country's endemic corruption and to introduce drastic reforms to reverse the Sierra Leone's long economic decline. Gen Momoh has indicated that Sierra Leone will shortly conclude an agreement with the International Monetary Fund after clearing payment arrears of $16m. Terms would include floating the overvalued currency and removing rice subsidies. "There is no alternative to harsh treatment if you are severely ill," he said.

Further measures are also expected to control diamond smuggling, the country's main export.

Ombudsman urged to seek $3bn from Marcos

A group of lawyers yesterday filed a complaint of graft and corruption against deposed President Ferdinand Marcos and his associates and asked the Philippine Ombudsman to claim $3bn from them, Reuter reports from Manila.

The complaint against Mr Marcos, now in exile in Hawaii, was the first to be filed with the Ombudsman and was in connection with the construction of a $2bn nuclear power plant.

Lawyers belonging to the Anti-Graft League accused Mr Marcos and the 13 others of "grand conspiracy."

The Government of President Corazon Aquino has said it regards the plant, about 50 miles west of Manila, as dangerous and has pledged never to use it. The plant was built by Westinghouse.

Nigeria protest muted

The Nigerian Labour Congress says it will scale down a proposed demonstration today in the face of the military Government's threat to oppose the demonstration with "all the methods at its disposal," AP reports from Lagos. The demonstration is to protest against the killing of university students by police.

S. Africa strike call

Three of the country's largest anti-apartheid organisations issued a joint statement yesterday urging South Africans of all races to stay away from jobs and schools on June 16, the 10th anniversary of the Soweto uprising, AP reports from Johannesburg. The committee's endorsement of a one-day general strike lessens the chance of friction between those seeking to return to work or school on June 17 and those supporting a longer stayaway.

Afghan minister killed

Anti-communist guerrillas fighting in Afghanistan have killed a deputy minister in charge of the Afghan Secret Service Mohammed Aftab writes from Islamabad.

The minister, identified only as Nabi, was killed at Kandahar when his jeep hit a land mine laid by the guerrillas. Four other occupants of the jeep also were killed say western diplomats.

WORLD TRADE NEWS

Davy wins £40m East Berlin power plant deal

BY LESLIE COLITT IN BERLIN

BRITISH industry brought home a rare contract from Eastern Europe this week when Davy Corporation won a £40m contract to build a desulphurisation plant for an electric power station in East Berlin. It was a cliff-hanger right up the signing on Monday evening.

The finance for 100 per cent of the contract value is by a UK Export Credit Guarantee Department (ECGD), supported buyer credit and a commercial loan, both supplied by Morgan Grenfell.

Davy thought it had the deal clinched in March when a signing was scheduled to take place during the Leipzig trade fair. But it was cancelled at the last minute.

The East Germans said that Mannesmann, the West German engineering company, had entered a £35m bid for its rival sulphur scrubbing process.

In the following months the East German negotiators from Industrieanlagen-Import blew hot and cold. Several contract signings were scheduled with Davy in East Berlin and then called off just as the British company's executives were preparing to leave London.

"There were moments when we thought the contract was gone," Dr Graham Raper, Davy's chief executive said in East Berlin just before the signing.

Earlier another West German engineering giant, Klöckner, was a major threat but then dropped out.

What finally seems to have clinched the turnkey deal for Davy was that its technology was better suited than the others to East Berlin's Rummelsburg electric power and heating plant.

Davy's US developed Wellman-Lord desulphurisation process does not involve the costly transport of limestone to the power station and the removal of large quantities of the by product gypsum. Instead it produces industrially usable sulphur dioxide which will mean considerable savings for the East German operators over the long run.

Equally impressive was that Davy recently completed a power station desulphurisation project in Austria and is installing desulphurisation equipment in two major West German power plants.

British companies have not won a major deal in East Germany since GKN's £80m contract in 1982 to build a truck forge. East Germany's trade surplus with the UK has expanded rapidly in recent years, reaching a record £140m in 1985.

Dr Raper said the East German side had indicated interest in further desulphurisation units for its highly polluting browncoal power stations.

Taiwan shelves N-plant

By Robert King in Taipei

TAIWAN has decided to shelve indefinitely plans to construct a fourth nuclear power plant ending a year-long debate.

The decision, prompted by the nuclear disaster at Chernobyl, dashes the hopes of major international equipment suppliers of winning contracts worth several hundred million dollars.

Parliamentarians had grown increasingly critical of the nation's nuclear programme which, according to long-range plans, was to have provided more than half of Taiwan's power needs by the turn of the century.

With installed capacity more than double last year's demand of 53bn kwh they questioned both the Taiwan Power Company's projection of increases in demand and the overall suitability of nuclear plants, given the Taiwanese environment.

Taiwan sits virtually atop a major geological fault running south from Japan through the Ryukyu islands and out into the Pacific north of the Philippines. Only last week a major earthquake registering more than six on the Richter scale at the epicentre rocked Taipei, triggering rock falls and mudslides.

Steven B. Butler on a power plant contract which specifies technology transfer

S. Korea's nuclear stance causes dismay

"IT's the only show in town. It's really the only show in the world," says Mr Roderick Cantey of Westinghouse Nuclear Korea.

South Korea has just taken in bids from 12 companies for the only internationally-bid nuclear power plant project this year in any country. The final price tag should run between \$3-\$3.5bn (£2-£2.38bn) with about one-third of the contract value going to foreign companies.

With the dearth of new orders it is a buyer's market—a factor that has not been lost on the South Koreans.

"The terms are very severe," says Mr Peter Mihan, of Combustion Engineering of the US, which has bid for the nuclear reactor contract.

Award of the contracts will have a far-reaching impact on the future of South Korea's nuclear programme. The Korea Electric Power Company (Kepco), a state-owned utility, is aiming not just to acquire new reactors. It wants technology that will form a blueprint for future construction of a standardised nuclear plant which will allow South Korea to proceed with relatively little foreign involvement.

The key factor in determining the winner, says Kepco, is the willingness of a bidder to transfer technology. Price and financing are secondary. There has never been a bid like this in South Korea and there will not be another.

> 'The key factor in determining the winner, says the Korea Electric Power Company, is the willingness of a bidder to transfer technology. Price and financing are secondary. There has never been a bid like this in South Korea and there will not be another.'

South Korea has five operating nuclear power stations and four at advanced stages of construction. With virtually no domestic anti-nuclear lobby, South Korea is widely expected to continue building. The Chernobyl disaster has had no visible impact on South Korea's nuclear programme.

The new plants will consist of two 900 MW pressurised water reactors (PWR), or three 600 MW pressurised heavy water reactors (PHWR). If Kepco decides to go with PHWR technology rather than the more common PWR technology originally developed by Westinghouse, it will be a coup for Atomic Energy of Canada Ltd (AECL), the only vendor for this type of reactor.

AECL has based its bid on the claimed superiority and economies of its Candu reactors. Unlike the PWR reactors, which must be shut down and refuelled each year with enriched uranium, the Candu reactors can be continuously fuelled with refined uranium, a less expensive fuel that South Korea can already produce domestically from imported ores.

South Korea has one operating Candu reactor which last year performed at 94.3 per cent of capacity, the fifth highest in the world. This performance provided proof for the first time that the operating efficiencies of the Candu reactor could be duplicated outside Canada.

A decision by Kepco to base its nuclear development programme on the Canadian system would greatly enhance the international status of the Candu reactor as a mainstream alternative to the more common PWR system.

South Korea is nonetheless already heavily committed to PWR technology. Four Westinghouse reactors are operating, with two more going on stream by next year. The South Koreans could well standardise their reactor designs by choosing additional identical Westinghouse reactors.

The terms of the bid contain an unusual clause. In order to facilitate the transfer of technology, the reactor will be designed jointly by the foreign contractor and the South Korean counterpart. Yet the foreign company must assume full liability for any design flaws—a large responsibility in the case of nuclear reactors.

Some of the bidders have expressed dismay at the severity of this clause and say they intend to soften it in negotiations should they be awarded the contract.

Mr Mihan of Combustion Engineering nonetheless sees it as an integral part of assuring that a foreign contractor makes a full effort to transfer the technology.

"Without this kind of contract language the South Koreans will be kidding themselves," he says. "They are the most complicated clauses I have ever seen. But the message is clear. This is a partnership."

Indeed, the winner of the contract will have an exceptionally close relationship for at least the next decade with a complicated set of South Korean counterparts. Because of this, Kepco is likely to base its decision on more than the specifics contained in the bid about training programmes and the amount and price of transferred technology.

Kepco will have to evaluate the attitudes of its potential partner and Kepco's ability to interact closely with the company's management structure. These are at best difficult factors to measure and none of the bidders can be sure exactly what Kepco is looking for.

While Kepco will purchase the facility, Korea Heavy Industries Construction Corporation will be the main contractor. Engineers from the Korea Advanced Energy Research Institute and the Korea Power Engineering Co, a subsidiary of Kepco, will be involved.

Also playing a role will be the Ministry of Science and Technology and the Ministry of Energy Resources. If these organisations cannot reach a consensus on awarding the contracts, a decision could well be made in the President's office.

An extensive lobbying campaign by the French, Canadian and US Governments is well under way. While each has a strong case on political and trade grounds, no government can match the sheer clout of the US in South Korea. The US is angry over a rising trade deficit with South Korea and a large nuclear contract award would sit well in Congress.

Kepco expects to announce contract winners by the end of the year. Westinghouse, Combustion Engineering, Framatome and AECL have bid for the reactor contract.

Miti urges Tokyo to alter export strategy

JAPAN'S ECONOMY must soon make a "major change of course" if the country is to maintain its vitality into the 21st century, according to a government report approved yesterday, Agencies report from Tokyo.

The nation must rectify its trade imbalances and move away from its export-oriented structure, the Ministry of Trade and Industry (MITI) said in an annual report on international trade.

"The time has come for Japan to attempt a major change of course toward a balanced expansion of trade," the report concluded.

The annual report makes recommendations about the future course of the economy, but does not necessarily outline the government's future policies.

The report said structural changes should be accomplished through increased overseas investment and increased imports, among other means. It said stable exchange rates which continued to keep the yen strong and increased domestic demand were necessary conditions for change.

Miti blamed Japan's huge trade surplus on a variety of factors outside its control, from shifts in the structure of world trade to the ageing of the Japanese population.

Defending the actions taken so far on the trade front, the ministry said the country was well on its way to becoming a truly international market.

But it also acknowledged that more needed to be done, both for its own good and for that of the rest of the world.

"Failure to correct the maldistribution in its international payments balance will leave Japan little room to hope for further growth and prosperity," it said.

Prime Minister Yasuhiro Nakasone said last month that Japan's trade surplus could swell to \$80bn this year, from a record \$56bn last year.

Imports remained steady for the year, the report said, due to drops in commodity prices worldwide. Japan's imports for 1985 totalled \$129.5bn, down 5.1 per cent from a year earlier, it said.

Japan's current account surplus reached \$49.2bn in 1985, from \$35bn the previous year, the report said.

Japan's direct overseas investments, which hit the \$10bn mark for the first time in 1984, should "prove highly effective in reducing Japan's trade surplus," the report said. It said that as of 1983, such investment had produced 700,000 new jobs in other countries.

Yeutter seeks open tender for Japan airport contract

US Trade Representative Mr Clayton Yeutter has accused Japan of reneging on promises to open its markets by denying foreign companies a chance to bid on contracts for a \$5bn (£3.3bn) international airport to be built in western Japan, a US official said, Reuter reports from Tokyo.

In a letter sent to Mr Hiroshi Mitsuzuka, Transport Minister, last week, Mr Yeutter called for contracts for the New Kansai international airport to be awarded through an open bid and tender system.

Mr Yeutter's letter said Japan was obliged to adopt open bidding because the project is covered by the government procurement code of the General Agreement on Tariffs and Trade (Gatt) which Japan signed in 1979.

Japanese officials previously refused similar US demands, saying the project to build an airport on a man-made island off Osaka is basically a private sector effort.

"We are not a public corporation," said a representative for Kansai International Airport (KIAC), which directs the project.

US officials argue the project is a public one because five-sixths of its funding comes from local and national governments and many of KIAC's officials are on loan from government agencies.

The company denied that KIAC intends to shut out foreigners completely. It said the company's main objective was to complete the airport on schedule by 1993, and opening the initial reclamation stage to international bidding now might delay the project. The company would consider foreign participation in later stages of terminal construction and equipment supply, it said.

Grain exporters fail to make progress

By Bernard Simon in Toronto

THE WORLD'S five biggest grain exporters made no substantive progress towards ending disruptive competition in international markets during a one-day ministerial meeting at Whistler, British Columbia.

The meeting, initiated by Canada, was prompted by growing concerns at the disruption on world grain markets caused by increasingly fierce competition between heavily subsidised US and EEC farmers.

Disagreements among the five —the US, EEC, Argentina, Australia and Canada—were reflected in remarks after the meeting by Mr Richard Lyng, US Agriculture Secretary.

"It is absolutely essential that our trading partners understand that the US is not going to make all the adjustments," he said.

Swiss export risk fund coverage falls

By John Wicks in Zurich

THE NET guarantee sum granted by Switzerland's Export Risk Guarantee programme (Erg) last year dropped to about SFr 2bn (£741m) or some SFr 500m less than in 1984. Total coverage fell to SFr 14.1bn, the lowest level since 1976-77.

This decline is partly because exchange-rate guarantees were suspended at the start of April, 1985. In addition exporters made increased use of other forms of risk coverage.

The Erg authorities also say that they have been "more cautious" in the granting of new guarantees in the light of economic difficulties in numerous customer countries.

In spite of the slowdown the fund recorded a further deficit last year of SFr 195m.

Murdoch warehouse gutted by fire

By Helen Hague

PRINT UNION leaders have criticised News International for suggesting that sacked printworkers were responsible for a fire which swept through a warehouse in south-east London on Monday night, destroying 10,000 tonnes of newsprint worth an estimated £7m.

Scotland Yard detectives are treating the fire as suspected arson and believe it could have been started by firebombers. The warehouse, in Deptford, is owned by a subsidiary of Mr Rupert Murdoch's News International group. The company last night offered a £50,000 reward for information leading to a conviction.

Mr Bruce Matthews, News International's managing director, said yesterday that he was "in no doubt" that the fire was started by printworkers sacked by the company in the dispute over the company's new plant at Wapping, east London.

He said: "Right now we are in the midst of balloting people in Sogat, the NGA and the other unions. A lot of people are opposing these ballots and it is possible that some of these people are being very violent about the period we are now in."

A joint statement issued by Sogat and the NGA after Mr Matthews' remarks said: "The unions have no involvement with the fire and if it was started deliberately we completely condemn such action.

"We also deplore the provocative statements, made without any evidence by Mr Murdoch's representative, that there was no doubt the blaze was started by printworkers with whom the firm is in dispute. This is finding our members guilty by association and the allegations should be substantiated or withdrawn."

Swan Hunter shipyard to cut 825 jobs

BY IAN HAMILTON FAZEY

SWAN HUNTER shipbuilders on Tyneside, in north-east England, are to cut 825 jobs. The losses, which come on top of 3,500 redundancies and three yard closures announced by British Shipbuilders last month, are the direct result of Swan Hunter's failure to secure a Ministry of Defence order. This work was placed instead with the state-subsidised Harland and Wolff yard in Belfast.

Swan Hunter's management has given a warning that more of its 3,600 remaining jobs will also be in danger if a promised order for a Type 23 frigate is not placed with them before the summer and one for an auxiliary oiler replenishment vessel (AOR) before Christmas.

The yard, which was privatised only in January this year, needs these two orders to survive long enough to build the export markets it needs for long-term profitability.

Mr Peter Vaughan, Swan Hunter's joint managing director, said that delays in placing the order for the frigate were "completely unbelievable."

Mr Ken Chapman, joint managing director for marketing and sales, said that Swan Hunter's corporate plan for privatisation had been based not on past market shares and performance but on much more pessimistic and prudent forecasts of performance.

Nick Bunker writes: Labour MPs last night urged the Government to use its Business Expansion Scheme to help revive the UK's dying shipyards.

Britain was alone among leading industrial nations in failing to give subsidies to its shipbuilders, Dr Oonagh MacDonald, a Labour Treasury spokesman, claimed during a House of Commons standing committee debate on the 1986 Finance Bill.

Her call for a change in the Bill was rejected however by Conservative MPs, who threw out a Labour amendment.

Bids for Thames project

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

THE GOVERNMENT has received eight proposals for providing a new crossing over the Thames at Dartford, east of London.

Seven are from groups of contractors putting forward privately financed schemes. The eighth is from Kent and Essex county councils, which run the existing overloaded Dartford Tunnels and want a new tunnel built with public funding.

A new crossing is needed to relieve the traffic congestion on the existing Dartford tunnels which form a vital link in the M25 motorway around London.

The call for private finance is in line with the Government's policy of trying to attract private funds for infrastructure projects and follows the precedent already set by the Channel Tunnel scheme.

Sunday trading test case launched

By Fiona Thompson

THE BRITISH Hardware Federation, representing 5,000 retail outlets in the hardware industry, has referred Texas Homecare, the chain of 137 DIY supermarkets, to the Director of Public Prosecutions, alleging Sunday trading irregularities.

"Texas Homecare is operating on Sundays in breach of the Shops Act 1950," Mr Jonathan Swift, managing director of the federation, said yesterday.

The federation has compiled a dossier on a number of traders it says are breaking the law. It chose to cite Texas Homecare specifically because of its "most obvious disregard for legislation."

"Out of a short list of 12 we thought we should single out one," said Mr Swift. We chose Texas because it blatantly advertises its Sunday opening."

The federation is a vigorous opponent of Sunday opening on behalf of its membership of primarily small independent family businesses. It started receiving complaints of irregularities from members on the first Sunday after the April 15 collapse of the Government's Shops Bill, which would have paved the way for Sunday trading in England and Wales.

Mr Swift said: "We feel a national case taken by the DPP will focus attention on the problem and encourage local authorities to act."

Mr Frank Foster, marketing controller for Texas Homecare, said. The company could not comment on the referral "because it had no notification relating to this matter."

Texas Homecare is part of the Home Charm Group which was taken over by the Ladbroke Group in a £201m deal in April.

GALLAHER BIDS TO DOUBLE THE SIZE OF ITS RETAIL INTERESTS

Tobacco giant goes shopping

BY CHRISTOPHER PARKES

GALLAHER, the UK tobacco-to-engineering group, yesterday set out to double the size of its retailing business with a £67.4m ($99.5m) agreed cash offer for NSS Newsagents, a national, 500-strong chain of confectioners, tobacconists and newsagents (CTN).

The NSS board, which holds 4.2 per cent of the equity, has approved the 210p a share bid which includes a loan-note alternative to the cash offer.

Mr Alan Bowen, managing director, said NSS was attracted by the synergy between the two companies' retailing businesses.

A successful takeover would raise Gallaher's share of profits from non-tobacco interests to between 30 per cent and 40 per cent, according to Mr Philip Grierson, the director responsible for diversification.

The group aims ultimately to raise the proportion to 50 per cent to offset the impact of duty increases and the anti-smoking lobby.

Gallaher, a subsidiary of the US company American Brands, is best known for its Benson & Hedges and Silk Cut cigarettes. It also has interests in optics, mainly through its Dollond & Aitchison subsidiary, office products with Ofrex and Rexel and Engineering through the Mono and Saunders pumps and valves businesses.

Its last major diversification came in 1984 when it bought the Prestige pots, pans and kitchen utensils company.

The bid for NSS firmly establishes distribution as one of the group's main diversification areas. At present it runs 450 Forbuoys CTN stores, the Mayfair cigarette, snacks and drinks vending business and a chain of tobacco kiosks.

Gallaher bought Forbuoys 12 years ago and has since expanded it by buying up small groups and individual shops at a rate of about 20 stores a year. There are now about 450 outlets in the chain, which is evolving into a group of convenience and variety stores.

Gallaher's move also highlights the changes overtaking the fragmented UK newsagents trade. There are about 40,000 CTN businesses in Britain – one in every seven shops – and more than 80 per cent of them have sales of £200,000 or less. However, large groups are moving into the sector rapidly.

In the past 18 months Guinness has emerged as Britain's leading CTN operator, with more than 1,000 outlets. Last year it spent £34m on buying two groups in deals which brought it 326 new outlets.

Following the trend to greater so phistication, NSS recently investe heavily in smartening up its store extending the range of products c sale, training staff and imposin stricter management controls.

For the year ended Septembe 1985, NSS had pre-tax profits o £5.9m before exceptional debits o £1.4m, on turnover of £173m. Ne assets amounted to £25.8m.

Gallaher's alternative to cash in volves loan notes for all or part o shareholders' holdings paying inte est at 1 per cent below the average London interbank offered rate (Li bor) for the three business day preceding the start of each intere period.

NSS shareholders will retain th 1.6p a share interim dividend pay able for its year ending Septembe 30, 1986.

World growth is set to resume, says Lawson

BY TOM LYNCH

THE WORLD economy is set to resume "vigorous growth," bringing opportunities for British industry, if wage costs could be contained, Mr Nigel Lawson, the Chancellor of the Exchequer, told the House of Commons yesterday.

He told MPs during a debate on unemployment and the economy that the fall in oil prices had brought about a pause in world markets, but that growth in the economy would "resume as vigorously as ever."

Expansion of world markets with lower interest rates and a "more favourable pattern" of exchange rates, presented exporters with an opportunity. "Whether the opportunity is grasped or dissipated will depend on management determination to control unit labour costs – the Achilles' heel of the British economy," he said.

"A marked improvement in the trend of Britain's unit labour costs would do more than anything else to improve sentiment in the financial markets," bringing the prospect of lower interest rates.

Mr Lawson again emphasised the importance the Government attaches to cutting income tax. "We need to continue reducing the burden of taxation as a moral duty, and a way of improving our performance," he said.

Geevor Tin postpones decision on closure

BY STEFAN WAGSTYL

GEEVOR TIN Mines, the Cornish tin company which is on the brink of collapse, yesterday unexpectedly postponed a decision to close its operations.

The company's board had been expected to announce closure at a meeting yesterday after the Government rejected its appeal for aid to help save 358 jobs.

In an unexpected twist to Geevor's long fight for survival in the wake of the international tin crisis, the company revealed that Mr Edward Nassar, an entrepreneur with interests in the Nigerian tin industry, was joining the board. Mr Nassar bought an 18.8 per cent stake in Geevor earlier this year from the Rio Tinto-Zinc natural resources group.

Geevor's difficulties stem from the default of the International Tin Council, an inter-government price support body, which ran out of money last October, precipitating a collapse in tin prices.

Mr Nassar could not be contacted last night for comment. Mr Keith Wallis, Geevor chairman, said he did not know what plans Mr Nassar might have, but the company did not want to leave any stone unturned. The board expected to make another announcement on Friday week, when it would publish its preliminary results for the year to the end of March.

Law may be changed on mass trespass

By Kevin Brown

THE GOVERNMENT is considering a number of possible changes to the law to deal with the occupation of private land by mass trespass, it became clear yesterday.

Mrs Margaret Thatcher, the Prime Minister, joined angry Tory MPs in condemning a "peace convoy," of about 300 people living in vehicles and caravans, which has clashed with farmers and police in south-west England over the past few days.

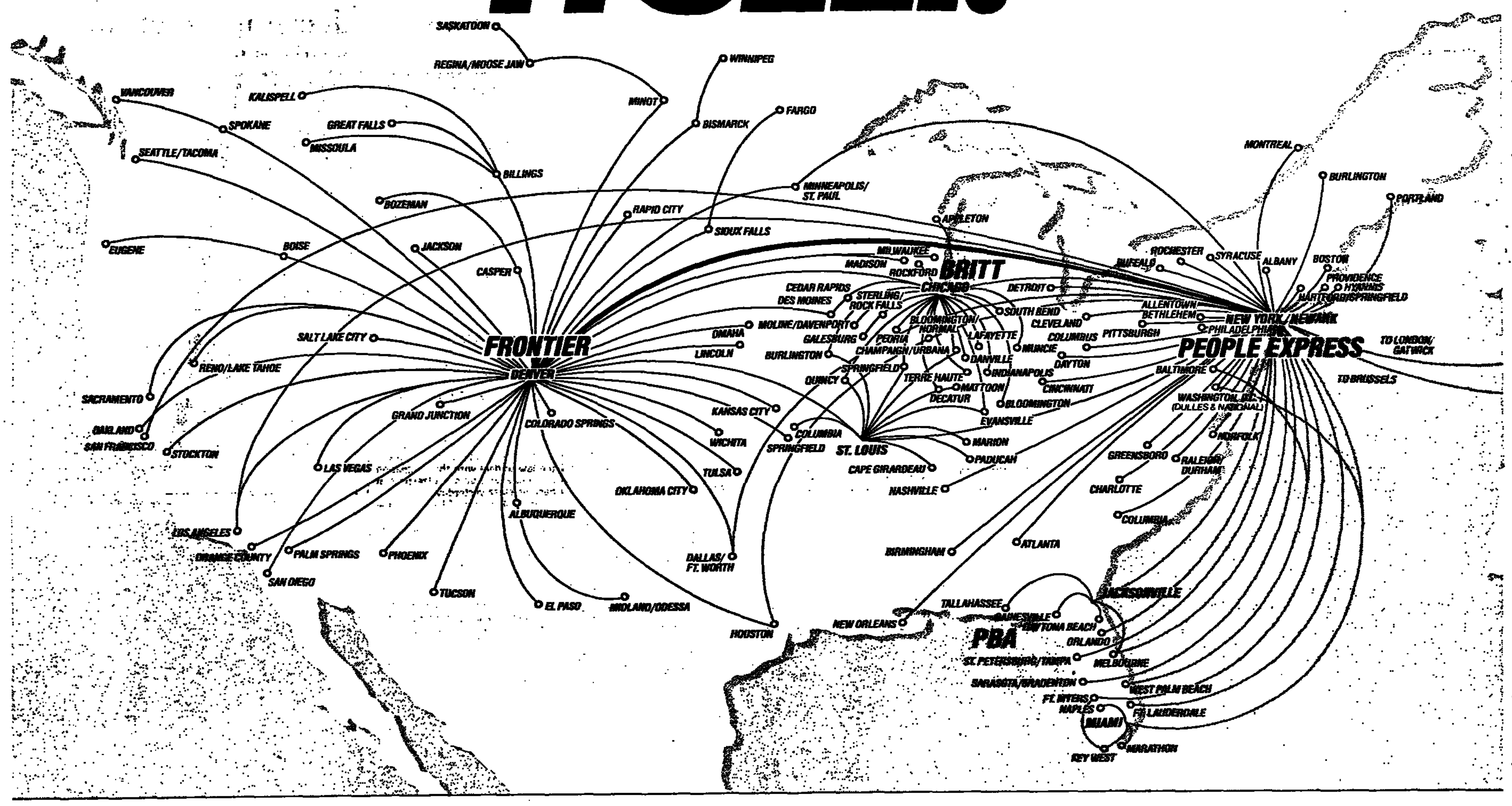
In the House of Commons, Mrs Thatcher told Mr Jim Spicer (Conservative): "I share your distaste for the whole matter. If by any chance the law on trespass is inadequate, then we will have to consider amending it."

Mr Douglas Hurd, the Home Secretary, told a Conservative women's conference in London that there were strong arguments against making all trespass a criminal offence because of problems in dealing with ramblers and "genuine" gypsies. But he said: "If we find that further strengthening of the law is required, we shall act accordingly."

Any action on the law of trespass would probably be taken in a bill in the next session of parliament. In the meantime, ministers are said to be determined to clamp down on the activities of the convoy through the existing law.

PEOPLE EXPRESS AND FRONTIER AIRLINES

SAVINGS AS BIG AS AMERICA ITSELF.



£166
2 NON STOPS DAILY
NEW YORK/NEWARK

£192/£205
OFF PEAK / PEAK
WASHINGTON-DULLES INT'L

AS LITTLE AS
£199
ALBANY, NY
BALTIMORE, MD
BOSTON, MA
BUFFALO/NIAGARA FALLS
BURLINGTON, VT
HARTFORD/SPRINGFIELD
MONTREAL-MIRABEL
NORFOLK/VIRGINIA BEACH
PITTSBURGH, PA
PORTLAND, ME
PROVIDENCE, RI
ROCHESTER, NY
SYRACUSE, NY
WASHINGTON-NAT'L

£212/£232
OFF PEAK / PEAK
COLUMBUS, OH
CLEVELAND, OH
GREENSBORO, NC
RALEIGH/DURHAM, NC

AS LITTLE AS
£219
ATLANTA, GA
CHARLOTTE, NC
CHICAGO, IL
CINCINNATI, OH
COLUMBIA, SC
DAYTON, OH
DETROIT, MI
JACKSONVILLE, FL

£225/£252
OFF PEAK / PEAK
BIRMINGHAM, AL
NASHVILLE, TN

£225/£239
OFF PEAK / PEAK
DAYTONA BEACH, FL
GAINESVILLE, FL
TALLAHASSEE, FL

AS LITTLE AS
£232
DALLAS/FT. WORTH, TX
FT. LAUDERDALE, FL
FT. MYERS, FL
HOUSTON, TX
MELBOURNE, FL
MIAMI, FL
MINNEAPOLIS/ST. PAUL, MN
NEW ORLEANS, LA
ORLANDO, FL
SARASOTA/BRADENTON, FL
ST. LOUIS, MO
ST. PETERSBURG/TAMPA, FL
WEST PALM BEACH, FL

£239/£279
OFF PEAK / PEAK
KEY WEST, FL
MARATHON, FL
NAPLES, FL

£265
BOULDER, CO
COLORADO SPRINGS, CO
DENVER, CO
FT. COLLINS, CO
GREELEY, CO

£279/£332
OFF PEAK / PEAK
LOS ANGELES, CA
SAN FRANCISCO, CA

£285
LAS VEGAS, NV
PHOENIX, AZ
TUCSON, AZ

People Express and Frontier Airlines—The People Express Team—offer the most savings to the most U.S. cities.

Over 140 vacation and business capitals all across America. And we fly to them a lot—every single day to New York with clean, comfortable Boeing 747 service.

Speaking of 747 service, we offer First Class on all our 747's—which also fly to Denver, Los Angeles and San Francisco. For less than what you'd pay for Economy Class on a lot of other airlines—our First Class service to New York is just £300.

Call People Express at Crawley (0293) 38100. Or your travel agent for reservations. The People Express Team. The airline that united the United States. In savings.

PEOPLExpress

All prices effective through 9/14/86. Shuttle bus provided from Denver's Stapleton International Airport to Boulder, Ft. Collins and Greeley.
FOR RESERVATIONS CALL CRAWLEY (0293) 38100. FOR FIRST CLASS RESERVATIONS CALL CRAWLEY (0293) 25116. OR CALL YOUR TRAVEL AGENT. © 1986 PEOPLE EXPRESS.

UK NEWS

Pay curbs can aid jobs, says Tebbit

By Michael Cassell

A CURB on excessive wage increases is needed to break the spiral of unemployment, Mr Norman Tebbit, chairman of the Conservative Party, said yesterday. Mr Tebbit, who was addressing the Conservative Women's annual conference in London, said that the Government had successfully curbed rising prices and it was now up to wage-bargainers to limit pay increases and help cut the number of unemployed.

The party chairman, who showed no sign of dropping the combative style which has recently drawn criticism from the ranks of Conservative supporters, attacked the Labour and Alliance parties and gave a warning of the dangers of throwing away the Government's achievements of the last seven years.

Mr Tebbit emphasised the Government's determination to aim for zero inflation. Every other party was committed to policies which would send inflation roaring up again, he said.

He asked: "Doesn't it make sense to see that the real value of what is left in pay packets should go up as tax deductions come down, and prices are held down too, rather than slide back into the spiral of big price rises, big wage rises, bigger price rises, bigger pay claims, then lost orders as customers turn to Japanese or German firms, with lost jobs to follow?"

In calling for pay restraint, Mr Tebbit said moderation in wage increases meant more jobs, more secure jobs and higher real incomes, "not just Labour confetti money that buys less and less."

As part of the broad-ranging attack on the opposition parties, Mr Tebbit said that the Shadow Cabinet had pledged £24bn in extra public spending which would drive the country back into the hands of international bankers and which would lead to real cuts in the National Health Service.

Mr Denis Healey, Labour's foreign affairs spokesman, had given notice in Moscow that he would "roll over like a puppy, ready to be kicked by the Russians. He has told them he would throw away our nuclear defences in return for a scrap of paper, to be sold no doubt as a guarantee of peace in our time. They never learn," he said.

Japanese companies in Britain urged to set up research labs

BY PETER MARSH

JAPANESE COMPANIES with manufacturing plants in Britain should consider setting up research laboratories alongside the factories to make them less dependent on the parent concerns for new ideas, according to Sir Robin Nicholson, who until recently was the Government's chief scientific adviser.

Sir Robin said yesterday that the time had come for Japan to play its full international role in generating new scientific ideas as well as developing products out of existing ones.

Speaking at the Royal Institute for International Affairs in London, Sir Robin, who left Whitehall a few months ago to become chief executive of the electro-optical division of Pilkington, the glass and engineering company, also said that Japan should become less restrictive in permitting technical ideas flow out of Japan to other countries.

Britain and other West European countries could learn from the way that Japan had tackled developments in science and technology. He said he was particularly impressed by the long-term view Japanese companies took on the need to invest in this area.

More accountants and others interested in financial matters should take the trouble to investigate the technical strengths of UK companies as well as their balance sheets, Sir Robin suggested.

As part of the aim of educating the City of London in technical matters, there might be a case for insisting that UK public companies disclosed in their annual reports the funds they put into research and development, as was the case in the US.

On Eureka, the 18-nation plan to bring together West European expertise in technology in a series of collaborative projects, Sir Robin said the scheme had made "real progress" in the year or so since France first suggested the programme.

He was confident that Eureka could turn out to be a useful mechanism to ensure that more European technical ideas turned into products that could be sold.

Thatcher backs US threat on Salt treaty

BY KEVIN BROWN

THE PRIME MINISTER gave full support in the House of Commons yesterday to President Ronald Reagan's threat to abrogate the Salt 2 nuclear weapons agreement in November unless the Soviet Union ended alleged beaches of the treaty.

Mrs Margaret Thatcher told MPs that the President had produced details of Soviet failures to comply with the treaty which had not been rebutted by the Kremlin.

She said it was important for Salt 2 to be observed on both sides. She insisted that President Reagan had given the Soviet Union an opportunity to comply by coupling his threat to abrogate the treaty with the dismantling of two Poseidon nuclear-armed submarines.

Mr Thatcher said there was a clear opportunity for the Soviet Union to respond positively to President Reagan's action, which would keep US nuclear forces within the treaty limits until a new armament programme began in November.

Mr Roy Hattersley, the deputy Labour leader, urged the Prime Minister to press President Reagan not to carry out his threat to abrogate the treaty.

Dr David Owen, the Social Democratic leader, asked how President Reagan could expect Mr Mikhail Gorbachev, the Soviet leader to attend the proposed Washington summit in December if the US had abandoned Salt 2 a month earlier.

He urged Mrs Thatcher to make clear that the abandonment of the treaty would be "a disaster"

Mr Frank Dobson, a Labour MP, asked what credence the Prime Minister could place on President Reagan's reasons for threatening to abandon the treaty when he had personally misled her over the necessity to use British-based F111 bombers in the US attack on Libya.

Faith in nuclear energy 'unshaken'

By David Fishlock in Geneva

THE BRITISH Government's faith in nuclear energy was unshaken by the Chernobyl disaster, the international nuclear industry was assured yesterday by Mr Alastair Goodlad, Energy Minister reponsible for nuclear power, at the European Nuclear Congress in Geneva.

His confidence was echoed by Dr Hans Haunschild, the senior West German government official responsible for nuclear energy, who urged nuclear nations not to take "hasty, ill-considered decisions which might cause lasting damage to our economies."

Mr Goodlad said the UK Government had taken no steps since Chernobyl that might delay the submission of the public inquiry report into its Sizewell B pressurised water reactor (PWR) project.

The Government still expected the report of Sir Frank Layfield, who led the inquiry, to be submitted in September. It was still planning to take quick decisions based on its findings, he said.

Britain had the most rigorous public inquiry system anywhere in the world, Mr Goodlad said. The Sizewell inquiry examined the safety of the British PWR, which was a different system from the one which exploded at Chernobyl.

"The British Government continues to believe that nuclear power is an essential source of energy, with the potential to provide low-cost electricity, which is essential if we are to be competitive in world markets."

This potential could be realised only if the public had confidence in nuclear power. He urged governments and the nuclear industries to work together to help to improve and restore public confidence.

Britain, he said, had not yet received the International Atomic Energy Agency's proposals for a voluntary reactor safety inspection system to help to reassure nuclear nations and their neighbours on reactor safety.

These proposals are expected to be presented to the agency's governing board next week.

Mr John Baker, the Central Electricity Generating Board director responsible for the British PWR project, told the congress that the logic of pressing ahead with nuclear power in Britain had not been changed by Chernobyl.

Mark Meredith on the effects of lower oil prices on suppliers

The struggle to stay afloat offshore

A US oil company executive was on the telephone to one of his Aberdeen-based suppliers: "We've got a problem and we would like to share it with you."

The problem, expressed with the black humour generated by hard times, almost certainly meant a cancelled contract. The supplier in turn would have to stop orders from downstream suppliers. Job losses would follow along with financial problems.

One sub-sea contractor in Aberdeen, fearing his bills might not be paid by a company in difficulty, slapped a writ on the company last week only to find at least 20 other court orders from other creditors had beaten him to it.

Whatever the possible benefits of a lower oil price for the general economy, it is bad news for the offshore industry. It is an industry employing an estimated 100,000 with much of the activity in Scotland.

It is a worrying time as the industry, however notorious for its price fluctuations, tightens its belt, adjusting to the loss of revenue from the falling oil price.

A computer projection by the Scottish Development Agency predicted that an oil price of $15 a barrel over the next decade would cut spending by 40 per cent. This could lead to the loss of 5,000 of the 20,000 offshore jobs alone.

This will be a difficult downturn to monitor. The offshore jobless are unlikely to roam the streets of Aberdeen because it is a cosmopolitan industry with workers flying to their offshore work from all over Britain and Europe.

Some areas will suffer more than others. Production from the 30 oil fields offshore continues and these big platforms with their crews of 250 need supplies, maintenance and will provide some continuity in orders.

The long lead times for offshore projects also means that it will take time for cancelled orders to work their way through the system.

These are the areas where the troubles are starting to show:

● Drilling. Six big semi-submersible and jack-up drilling rigs are moored in the Firth of Forth off the Fife coast waiting for business. Another three are moored off Aberdeen and three more are in the Cromarty Firth north of Inverness.

Use of jack-up rigs is down. Thirty-six are on charter and 13 awaiting work. Only 44 of the 62 semi-submersibles are in operation. These offshore work-horses with their crews of between 85 and 150 depend on high use.

There are too many rigs in the North Sea at the moment, allowing oil companies to shop around and drive down the day rates.

Rates have fallen by between 15 and 20 per cent this past month according to one drilling operator. Some crews have been laid off but others are kept on standby in case an order comes through.

● Supply ships. Aberdeen harbour usually bustles with the supply ships coming in to pick up pipes, drilling mud or food for the offshore platforms. Now eight ships may be idle in the harbour at one time.

An operator estimated that work was down by 20 per cent for the 150 vessels operating in the UK sector of the North Sea.

● Fabrication yards. The four big offshore construction yards capable of producing the giant oil platforms which stand on the seabed face a worrying period. Only one order, for the Shell Elder field, is expected. The yards which fail to win the contract face difficulties unless they can then win contracts for work on the modules placed on top of the platform legs.

The Anglo-French Howard Doris yard in Kishorn in the Western Highlands is constructing two modules for Total's Alwyn North Field. The workforce, which was about 4,000 when Kishorn built the huge concrete Ninian platform in 1978, is down to about 500.

Welding work at the RGC yard at Methil in Fife, one of the few healthy yards

On the east coast of the Highlands the Hi-Fab yard at Nigg Bay owned by Wimpey and Brown and Root is completing work on BP's south-east Forties platform jacket which is due to be floated out in a few weeks' time.

The yard is also working on a module support frame for Marathon Oil's Brae Field due to be ready in October. The workforce is down to 1,500 and falling.

On the Moray Firth East of Inverness the US-McDermott construction yard also faces an uncertain time. It will be hungry for orders when it finishes a contract manufacturing the jacket for Marathon's Brae B field at the end of this year. The yard employs 1,000.

Only the RGC yard at Methil in Fife, owned by Trafalgar House, has a healthy outlook with the £21m order for Shell's Tern field platform and associated structures. The yard employs 800.

Shortfall in orders puts yards at risk

BY MAURICE SAMUELSON

AMONG THE leading manufacturers of large offshore structures and platform modules, there is a widespread feeling that one or two may have to close down through lack of oilfield orders.

The biggest yards are in Scotland, but there are several large operators south of the border, employing up to 3,000 people, including those who work for subcontractors.

As recently as six months ago, the Module Constructors Association predicted its members could expect to be working at about 40 per cent of capacity for the next 18 months. But that forecast has since been altered to only 30 per cent of capacity. A significant part of the present contracts are for gasfields, where the platforms are smaller, lighter and cheaper.

Among the key changes to cause this revision are:

● Shell-Esso's cut on the Gannet and Kittiwake developments;

● BP's year-long delay on its Miller field development;

● The lack of a decision by Amerada-Hess on the next stage of the Rob Roy-Ivanhoe project;

● Marathon's delay on parts of the Brae field development, which six months ago were expected to be ready for conceptual design by next November.

Nevertheless, some of the larger international companies are more stoical.

Mr Tom Preston, an executive at Davy Offshore Modules (part of the Davy Corporation), says: "We're concerned, but we look at things positively." There could be yard closures—"probably one on the Tyne and perhaps one or two in Scotland."

But the heavy fabrication sector was traditionally cyclical and for the past four or five years had never operated at more than 35 per cent to 40 per cent of its capacity. In the early 1980s there was an 18-month period when no new developments were initiated.

Davy Offshore Modules operates one of a number of large yards on the River Tees, where it is now working on nine modules, weighing more than 11,000 tonnes, and which will be at full capacity until the last quarter of this year.

Its present workload includes £33m worth of modules for Marathon's Brae B platform—due for completion early next year—and two drilling modules worth £19m for Shell's Tern field.

With its eyes on Holland and Norway as well as the UK, Davy Offshore Modules is seeking about 5,500 tonnes of new fabrication work to follow the Marathon contract.

Other important Teesside yards are operated by Redpath Offshore and Cleveland Offshore (both part of Trafalgar House), and Whessoe Offshore. At Wallsend on the River Tyne, there are Charlton-Leslie and Press Offshore.

BASE LENDING RATES

	%		%
ABN Bank	10	First Nat. Fin. Corp.	11
Allied Dunbar & Co	10	First Nat. Sec. Ltd	11
Allied Irish Bank	10	● Robert Fleming & Co.	10
American Express Bk.	10	Robert Fraser & Ptrs.	11
Amro Bank	10	Grindlays Bank	‡10
Henry Ansbacher	10	● Guinness Mahon	10
Associates Cap Corp.	11	● Hambros Bank	10
Banco de Bilbao	10	Heritable & Gen. Trust	10
Bank Hapoalim	10	● Hill Samuel	§10
Bank Leumi (UK)	10	C. Hoare & Co.	10
Bank Crédit & Comm.	10	Hongkong & Shanghai	10
Bank of Cyprus	10	Knowsley & Co. Ltd	10½
Bank of Ireland	10	Lloyds Bank	10
Bank of India	10	Edward Manson & Co	11
Bank of Scotland	10	Mase Westpac Ltd.	10
Banque Belge Ltd	10	Meghraj & Sons Ltd	10
Barclays Bank	10	Midland Bank	10
Beneficial Trust Ltd	11½	● Morgan Grenfell	10
Brit. Bk. of Mid. East	10	Mount Credit Corp. Ltd	10
● Brown Shipley	10	National Bk. of Kuwait	10
CL Bank Nederland	10	National Girobank	10
Canada Permanent	10	National Westminster	10
Cayzer Ltd	10½	Northern Bank Ltd	10
Cedar Holdings	11	Norwich Gen. Trust	10
● Charterhouse Bank	10	PK Finans. Intl (UK)	11½
Citibank NA	10	Provincial Trust Ltd	11
Citibank Savings	¶10.75	R. Raphael & Sons	10
City Merchants Bank	10	Roxburghe Guarantee	11
Clydesdale Bank	10	Royal Bank of Scotland	10
Comm. Bk. N. East	10	Royal Trust Co. Canada	10
Consolidated Credits	10	Standard Chartered	10
Continental Trust Ltd	10	Trustee Savings Bank	10
Co-operative Bank	*10	United Bank of Kuwait	10
The Cyprus Popular Bk	10	United Mizrahi Bank	10
Duncan Lawrie	10	Westpac Banking Corp	10
E. T. Trust	11	Whiteaway Laidlaw	10½
Exeter Trust Ltd	10½	Yorkshire Bank	10
Financial & Gen. Sec.	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£25,000+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

Raiders of the lost bag.

It is midnight at Lagos Airport.

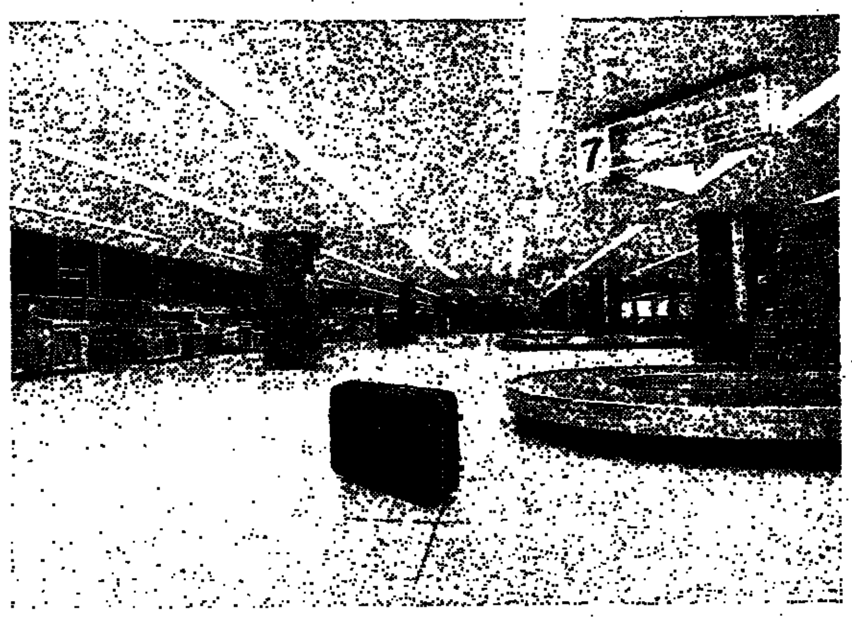
The last plane into the Nigerian capital landed two hours ago, and the arrivals hall lies deserted. A maintenance team does a routine sweep for lost luggage.

Among the discoveries: a suitcase with an Austrian address on the identification tag. The crew recognizes the owner's name, a renowned concert pianist.

At the same time in Los Angeles, the pianist begins to worry. The first concert of his international tour is scheduled for the following evening. And his sheet music is in the missing suitcase.

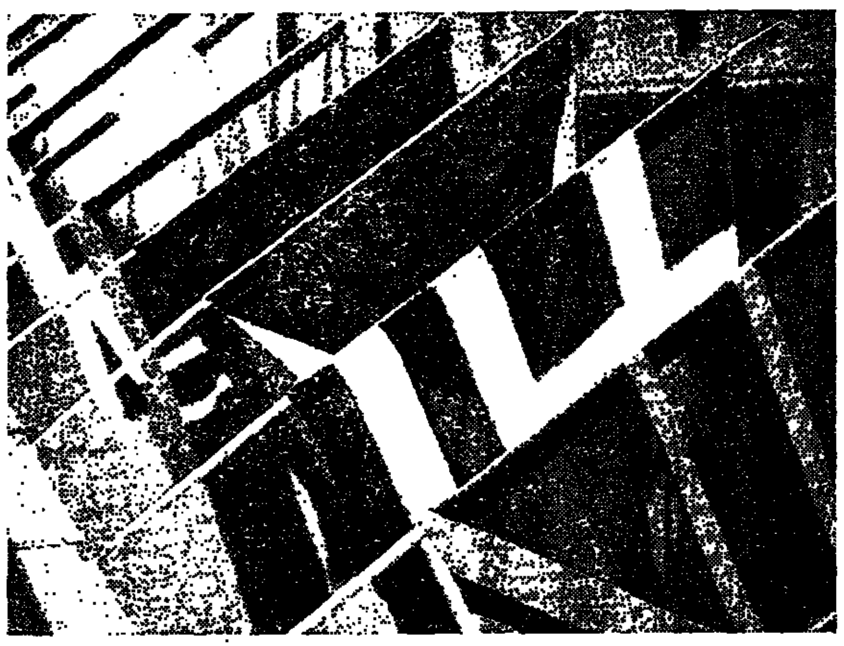
Only a Sperry computer in Atlanta, Georgia, knows where it is.

1. Every day, an average of 2.3 million people around the world board a commercial flight. Most of them check at least one piece of luggage with the airline.

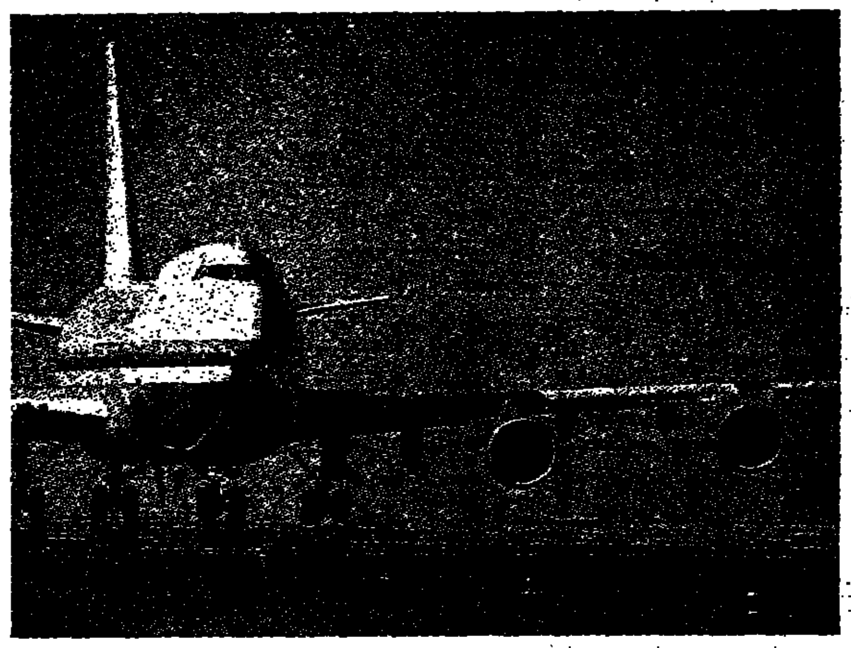


2. Over 99% of the passengers get their luggage back upon arrival. The rest — about 3,000 people every day — wait in vain at the conveyor belt.

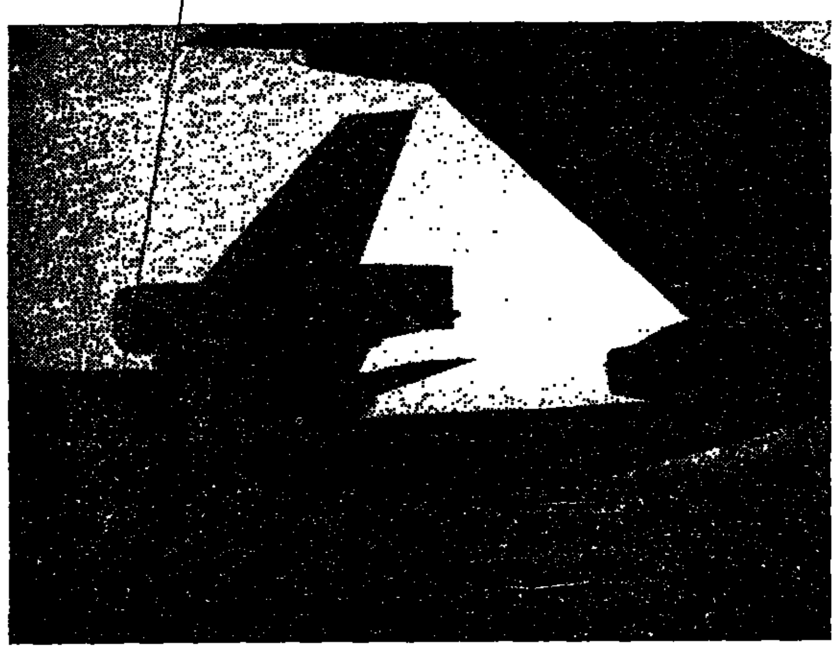
3. When something goes wrong, it is usually in transfer at a big airport. But it can also be someone tagging a bag LOS for Lagos instead of LAX for Los Angeles.



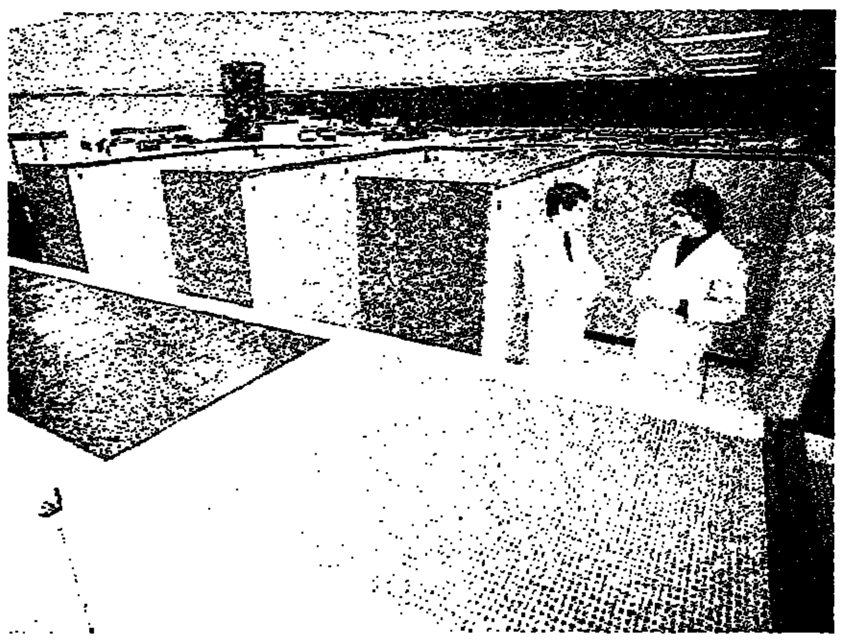
4. To communicate about lost baggage and other common business matters, 296 airlines have joined together to form SITA. The organization's head office: Paris.



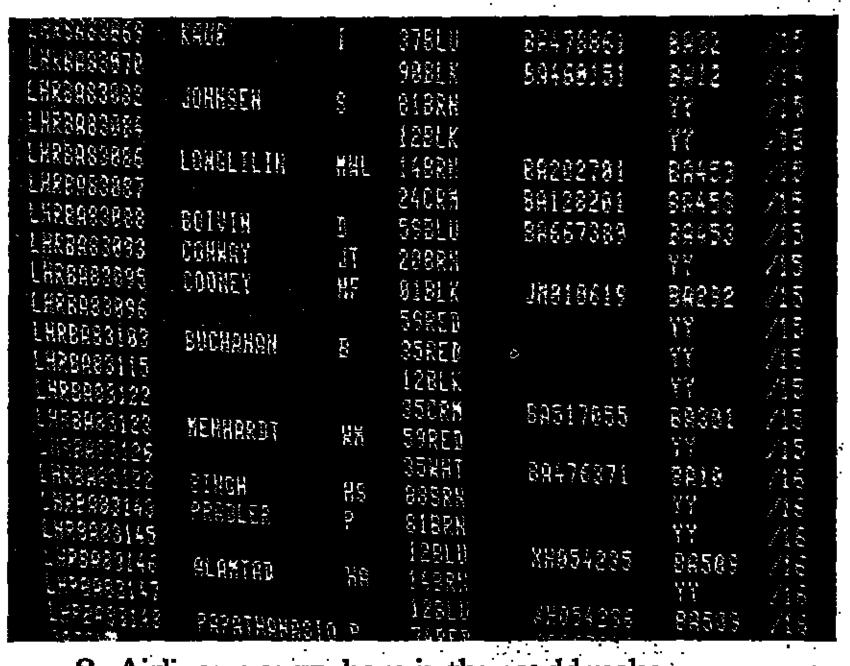
5. The SITA telecom and data network is the world's largest. Reaching into 169 countries and territories, it's also the most geographically spread out.



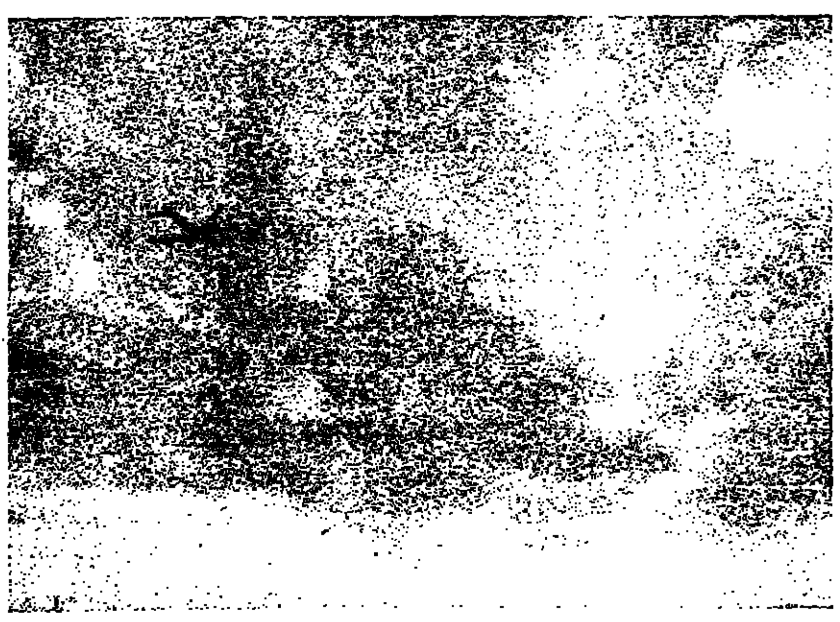
6. One of its services is BAGTRAC, a computerised baggage tracing system. This bank of information about lost and found luggage is open around the clock.



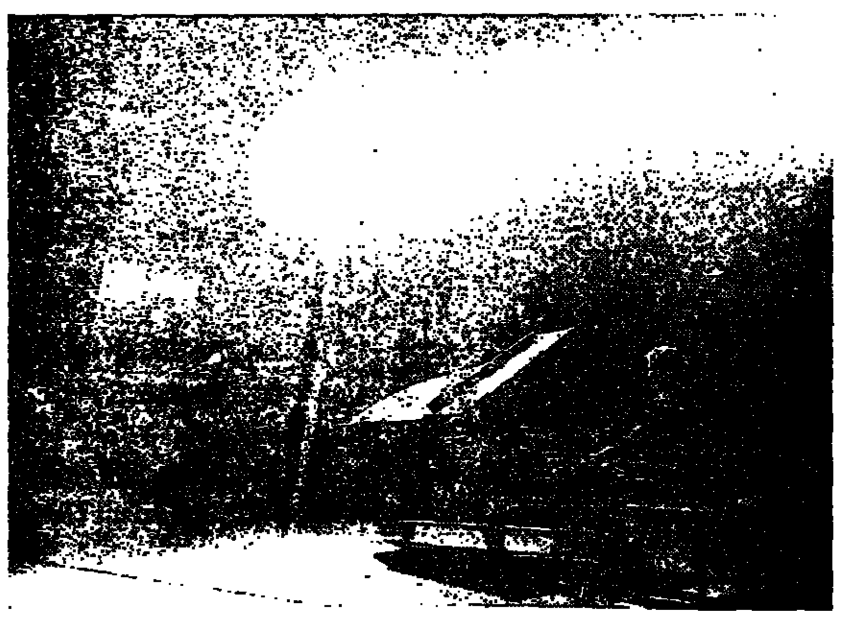
7. SITA bought its first Sperry equipment in 1966. Today, the SITA computer centre in Atlanta has two Sperry mainframes. One is the heart of BAGTRAC.



8. Airlines everywhere in the world make "deposits" in the BAGTRAC bank by entering data on bags they have found. For this they use on-line terminals or teletype.



9. When the computer finds a match between a bag reported missing and one reported found, the airlines make arrangements to rush it to the correct destination.



10. For the most part it catches up with its owner in less than 24 hours. As it did for our pianist, who got his sheet music and could score another triumph.

11. Lucie Taliseskey, SITA: "85% of what used to be lost is now merely delayed. This way, Sperry helps us save the airlines over six million pounds every year."

Company Notices

FIAT AND FINANCE AND TRADE LTD
US$100,000,000
Guaranteed Floating Rate Notes due 1991

For the three months, May 27, 1986 to August 26, 1986, the rate of interest has been fixed at 7.1525% P.A.

The interest due on August 27, 1986 against coupon No. 2 will be US$182.79 and has been computed on the actual number of days elapsed (92) divided by 360.

The Principal Paying Agent
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
Luxembourg

STANDARD BANK IMPORT AND EXPORT FINANCE COMPANY LIMITED
US$75,000,000
Floating Rate Notes due 1991

For the six months, May 27, 1986 to November 27, the rate of interest has been fixed at 7¼% P.A.

The interest due on November 28, 1986 against coupon No. 4 will be US$370.79 and has been computed on the actual number of days elapsed (185) divided by 360.

The Principal Paying Agent
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
Luxembourg

Notice to the Holders of Bonds of the issue 7½%—1972/1991 of FF 150,000,000 made by the EUROPEAN COAL AND STEEL COMMUNITY

The Commission of the European Communities announces that the annual instalment of Bonds amounting to FF 5,000,000 has been purchased for redemption on July 1, 1986. As a consequence, no drawing will be effected.

Amount unamortised:
FF 115,000,000

CANADIAN PACIFIC SECURITIES LIMITED

TO HOLDERS OF: THE CORPORATION'S CAN $40,000,000 11¾% GUARANTEED NOTES DUE 1987; THE CORPORATION'S CAN $50,000,000 16½% GUARANTEED NOTES DUE 1989; THE CORPORATION'S U.S. $75,000,000 15% GUARANTEED NOTES DUE 1989; THE CORPORATION'S CAN $75,000,000 11¾% GUARANTEED NOTES DUE 1990

NOTICE IS HEREBY GIVEN that the Annual Report and Accounts of the Corporation and the Annual Accounts of the Guarantor, Canadian Pacific Enterprises Limited, are available from [illegible] London EC2Y [illegible], England, and the other Paying Agents named on the Note certificates.

L. D. BARRIE, Secretary.

April 30, 1986.

AAE
AFRICAN AND EUROPEAN INVESTMENT COMPANY LIMITED
(Incorporated in the Republic of South Africa)
Registration No. 01/02154/06

Preference Dividend No. 76

On June 4, 1986, Dividend No. 76 of three per cent for the six months ending June 30, 1986, was declared payable on Friday, August 15, 1986 to the holders of the six per cent cumulative preference shares registered in the books of the company at the close of business on Friday, June 27, 1986, and to persons presenting coupon No. 77 detached from stock warrants to bearer. [illegible]

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
per R. W. KETLEY
Divisional Secretary
June 5 1986

GADEK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of the company will be held at the Raya Room, 1st Floor, Equatorial Hotel, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia on Thursday 26th June, 1986 at 12.00 noon for the following purposes:—

1. To receive and adopt the accounts for the year ended 31st December, 1985 and the directors' and auditors' reports thereon.
2. To sanction the payment of directors' fees.
3. To re-elect directors.
4. To appoint auditors and to authorise the directors to fix their remuneration.
5. To transact any other ordinary business.

By Order of the Board
AHMAD SHAMAS HAJI DIN
RIDWAN BIN MUSTAFFA
Secretaries

Kuala Lumpur, Malaysia.
4th June, 1986.

NOTES
1) A member of the company entitled to attend and vote at the meeting is entitled to appoint a proxy to vote in his stead. [illegible]
2) The instrument appointing a proxy must be deposited at the registered office of the company not less than 48 hours before the time set for the meeting.
3) There are no contracts of service having an unexpired term of more than one year between any director and the company.

VICTORIA HALL COMPANY, LIMITED
US$15,000,000 GUARANTEED FLOATING RATE NOTES DUE 1992

In accordance with the Terms and Conditions of the Notes, notice is hereby given that the rate of interest for the period June 4, 1986 to December 4, 1986 will be 7.2875% and the interest payable per US$10,000 denominations will be US$370.45 and per US$100,000 denominations will be US$3,704.48.

June 4, 1986
By: Citibank, N.A. (CSSI Dept) Agent Bank
CITIBANK

Art Galleries

AGNEW GALLERY, 43, Old Bond St., W1. [illegible] [illegible]

H. J. Joel Gold Mining Company Limited
Registration No. 35/01995/06
("Joel")

The Randfontein Estates Gold Mining Company, Witwatersrand; Limited
Registration No. 01/05309/06
("Randfontein")

(Both companies incorporated in the Republic of South Africa)

PROPOSED RIGHTS OFFER OF LINKED UNITS IN JOEL TO MEMBERS OF RANDFONTEIN

It was announced on 27 May 1986 that it is Joel's intention to raise the bulk of its permanent capital amounting to approximately R570 million through the offer of linked units consisting of shares plus options to subscribe for shares in 1987 and 1988. Capital expenditure is currently being financed by interest-free loans made to or procured for Joel by Johannesburg Consolidated Investment Company, Limited ("JCI"), Anglo American Corporation of South Africa Limited ("Anglo") and its associates and Randfontein in the proportion 45:10·45 pending the raising of equity capital by Joel after which the loans will be repaid. JCI and Anglo and their associates will participate directly in the offer and Randfontein members will participate in Randfontein's full share of the offer. The offer will be made in the ratio 45:10:45 to JCI, Anglo and their associates and members of Randfontein respectively.

Accordingly JCI and Anglo or their associates have respectively agreed to subscribe for, or to procure subscriptions for, 6.113.552 and 1,358,567 linked units at R30 per unit.

Members of Randfontein will be invited to participate in a rights offer consisting of 6,113,553 linked units at R30 per unit on the basis of one linked unit for each share held in Randfontein.

Each linked unit will comprise:

a) 5 shares of one cent each in Joel, plus
b) 1 Class A (1987) option, and
c) 1 Class B (1988) option.

One Class A (1987) option will entitle the holder to subscribe for 1 share of one cent in Joel at any time between 1 and 31 December 1987 at a subscription price of 600 cents per share, and

One Class B (1988) option will entitle the holder to subscribe for 1 share of one cent in Joel at any time between 1 and 31 December 1988 at a subscription price of 600 cents per share.

The rights offer is subject to The Johannesburg Stock Exchange ("JSE") granting listings of the renounceable (nil paid) letters of allocation and the ordinary shares, Class A (1987) and Class B (1988) options of Joel issued pursuant to the rights offer.

An application will be made to The Stock Exchange, London ("SEL") for listings of the shares (nil paid) and the ordinary shares (fully paid), Class A (1987) and Class B (1988) options of Joel issued pursuant to the rights offer.

Randfontein members who are registered at the close of business on Friday 27 June 1986 will be entitled to participate in the rights offer. In this connection the share registers of Randfontein will be closed from 28 June 1986 to 6 July 1986 both days inclusive.

Joel shares will not be registered with The Securities and Exchange Commission, Washington D.C. or the Securities Commission of Canada and accordingly no offer is being made to persons with registered addresses in the United States of America or Canada. The rights which would otherwise have been allocated to such persons will, if possible, be sold on their behalf and the net proceeds will be remitted to them.

The rights offer circular which will include the renounceable (nil paid) letter of allocation and the Joel pre-listing statement is being finalised and will, subject to the rules, requirements and procedures of the JSE and SEL, be posted to members of Randfontein early in July 1986.

Johannesburg
3 June 1986

UK NEWS

'Secrecy' over Royal Ordnance criticised

By Lynton McLain

A SECOND report in nine months from the House of Commons committee of public accounts has criticised the Ministry of Defence (MoD) over its secretive handling of the privatisation of the Royal Ordnance arms factories.

The MoD has refused to let parliament have the opening balance sheet of Royal Ordnance plc since the company was formed on January 2 last year as a prelude to privatisation. The information on transferred assets and liabilities has still not been made available, although Royal Ordnance is expected to be sold this summer.

The information was needed "so parliament could question any discrepancies between the opening balance sheet (of Royal Ordnance plc) and the closing trading fund balance sheet (of the Royal Ordnance factories organisation)," the committee said in its latest report, published yesterday.

The committee urged the MoD to publish the opening balance sheet and details of its economic valuation, "in time for effective parliamentary scrutiny." However, the committee appeared to accept that the MoD would not release the information in time.

The MoD has already refused the Comptroller and Auditor General access to Royal Ordnance's books and records.

The committee rejected for the second time the MoD's reasons for refusing the Comptroller and Auditor General access and the ministry's refusal to present the company's accounts to parliament while Royal Ordnance was publicly owned.

Virgin offers £56 air ticket to New York

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

VIRGIN ATLANTIC, the low-cost airline flying between London (Gatwick) and Newark (New York) and Miami, has responded swiftly to fares cuts by People Express, its US rival, with a single fare to New York of only £56 (£112 return), and has cut its Excursion return rate to Miami by up to £100 to £298.

Earlier this week, People Express applied to the UK Civil Aviation Authority (CAA) for permission to offer a £66 single transatlantic fare, Gatwick-Newark, available only to the first 30 passengers applying for economy tickets on each flight. The seats must be booked three weeks in advance. This is £100 less than People's current cheapest single fare of £166.

People Express has also asked for rights to offer 70 seats per flight at £99 and 100 seats at £133, all economy class.

Commenting on his £56 fare, Mr Richard Branson, chairman of Virgin Atlantic, said: "We believe in a simple, low-fare, high-quality product for all without the gimmicks of a few tickets used as a shop-window display.

"Still, if people are going to play silly games, then we don't believe in being undercut. We have, therefore, applied today for a £56 single fare for 30 of our seats, too." The normal economy fare return to New York stays at £398.

Explaining the reduction in his London-Miami fares, Mr Branson said: "We started the Miami route off with a difference of over £100 between us and other airlines, and they have gradually reduced their prices to fall in close to ours. We felt it was time we opened up the price gap and have slashed another £100 off the return flight."

The Virgin Advanced Purchase Excursion (Apex) return fare to Miami is now £298, or £149 single, and is available until December 12.

BfG Finance Company B.V.
U.S. $100,000,000 FLOATING RATE NOTES DUE 1996

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period 4th June, 1986 to 4th September, 1986 the Notes will bear interest at the rate of 7[illegible]% per annum. The Coupon amount per U.S.$10,000 Note will be U.S.$185.27.
The Interest Payment Date will be 4th September, 1986.

Samuel Montagu & Co. Limited
Agent Bank

Subscribers to the
FINANCIAL TIMES
in
TOULOUSE
are now receiving their copy by special delivery on the day of publication.

For further details contact:

Benjamin M. HUGHES
Financial Times (France) Ltd.
Centre d'Affaires Le Louvre
168, rue de Rivoli
75044 — PARIS CEDEX 01
Tel. (1) 297 0623

NILFISK
THE WORLD'S LARGEST MANUFACTURER OF INDUSTRIAL SUCTION CLEANERS

B U S I N E S S I N E U R O P E

SHERATON HOTEL OSLO FJORD & TOWERS, NORWAY: 4.5 MILES FROM AIRPORT/245 ROOMS/59 TOWERS ROOMS/HEALTH CLUB

C O M E T O S H E R A T O N

There's a Sheraton waiting for you in the heart of almost every major European city. And each one of them has made a commitment to the business traveler. It's a commitment that translates into comfort, luxury and services that anticipate your needs. Including express check-out, quick reservations, 24-hour room service, secretarial assistance, sophisticated conference and communications facilities and much more. At Sheraton we understand the pressures and demands you travel under today. That's why we're determined to give you the hotel you need everywhere you need it in the world.

AUSTRIA, SALZBURG SHERATON HOTEL
BELGIUM, BRUSSELS SHERATON HOTEL & TOWERS
DENMARK, SHERATON COPENHAGEN HOTEL
ITALY, SHERATON ROMA HOTEL
LONDON, BELGRAVIA SHERATON
SHERATON HEATHROW HOTEL
SHERATON PARK TOWER HOTEL
SHERATON SKYLINE HOTEL
LUXEMBOURG, AEROGOLF SHERATON HOTEL
NORWAY, SHERATON HOTEL OSLO FJORD & TOWERS
PORTUGAL, LISBOA SHERATON HOTEL
SCOTLAND, EDINBURGH SHERATON HOTEL
SWEDEN, SHERATON STOCKHOLM HOTEL & TOWERS
SWITZERLAND, ATLANTIS SHERATON HOTEL (ZURICH)
TURKEY, ISTANBUL SHERATON HOTEL & TOWERS
WEST GERMANY, ESSEN SHERATON HOTEL
FRANKFURT SHERATON HOTEL
MÜNCHEN SHERATON HOTEL & TOWERS

Sheraton
The hospitality people of ITT

CALL TOLL-FREE IN THE U.K.
0800 353535
Or call your travel agent.
Outside the U.K., call your nearest Sheraton hotel, reservations office, or your travel agent.

© 1986 The Sheraton Corporation

WHEN you first handle a Patek Philippe, you become aware that this watch has the presence of an object of rare perfection.
We know the feeling well. We experience it every time a Patek Philippe leaves the hands of our craftsmen.
You can call it pride. For us it lasts a moment; for you, a lifetime.
We made this watch for you – to be part of your life – simply because this is the way we've always made watches.
And if we may draw a conclusion from five generations of experience, it will be this: choose once but choose well.
A Patek Philippe – because it's for a lifetime.

PATEK PHILIPPE
GENEVE

At exclusive Patek Philippe showroom
15 New Bond Street, London W1Y 9PF
Tel. 01/493 8866

NEW ISSUE — *This announcement appears as a matter of record only.* — *June, 1986*

BFCE

BANQUE FRANÇAISE DU COMMERCE EXTÉRIEUR

¥20,000,000,000

5¾ per cent. Guaranteed Notes Due 1996

Unconditionally guaranteed by

The Republic of France

ISSUE PRICE 101⅛ PER CENT.

Daiwa Europe Limited — **Nippon Credit International (HK) Ltd.**

Banque Paribas Capital Markets Limited

Banque Nationale de Paris	Caisse des Dépôts et Consignations
Crédit Lyonnais	Credit Suisse First Boston Limited
Dresdner Bank Aktiengesellschaft	Fuji International Finance Limited
IBJ International Limited	Kuwait International Investment Co. s.a.k.
Kuwait Investment Company (S.A.K.)	LTCB International Limited
Mitsubishi Finance International Limited	Mitsubishi Trust International Limited
Mitsui Trust Bank (Europe) S.A.	Morgan Stanley International
Smith Barney, Harris Upham & Co. Incorporated	Société Générale
Swiss Bank Corporation International Limited	Tokai International Limited
S.G. Warburg & Co. Ltd.	Yasuda Trust Europe Limited

TECHNOLOGY

Out to prove the value of harnessing British sea power

The chase for more efficient wave energy systems remains keen, despite a lack of UK Government support, reports Mark Newham.

WAVE POWER may be a dead duck as far as the UK Department of Energy is concerned but the diminishing level of support has yet completely to kill all technological advance in this energy sector.

Indeed, one group of researchers in particular has been spurred by Government restraints to reorientate its work towards producing the most efficient and cost-effective wave power device yet developed in Britain. This is the Circular Clam wave power system developed at Lanchester Polytechnic in Coventry.

Originally, the Clam was a linear device using huge bellows which, under wave pressure, forced air through turbines to generate electricity. Unfortunately for the Lanchester Polytechnic research team, led by Dr Norman Bellamy, although the device was capable of generating power at low cost compared with some other wave energy devices, the Clam was also a low efficiency system capable of harnessing only a limited amount of the power contained in the waves.

Following the Department of Energy's 1982 review of wave energy technologies — which set stringent limits on the minimum efficiency and maximum power cost of wave energy systems for them to attract Government support — Dr Bellamy and his team were forced totally to rethink their development approach.

This has resulted in the restructuring of the device into a circular version of the Clam which makes better use of the waves reaching the device and raises the wave-power-to-useful-power conversion efficiency by up to four times the original version's capabilities.

In the original version of the technology, the Clam was unable to work effectively when waves struck the device head on. Only those reaching the Clam at an angle could depress the bellows sufficiently to force air through the turbines. The Circular Clam eliminates this factor since all waves reaching the device arrive at an angle. Indeed, the new version produces efficiencies of over 100 per cent when waves arrive at seven second intervals, since the device "sucks in" energy from reflected waves as well as harnessing the power of direct-hit waves.

The research team's results—calculated from one fifteenth scale model tests of a full size 60 metre diameter Clam in Loch Ness — have enabled the team to forecast substantially reduced power output costs compared with the linear Clam system. The Circular Clam could, says Dr Bellamy, generate at 2.5-4.5p per kWh compared with the 6p per kWh predicted cost of the linear device.

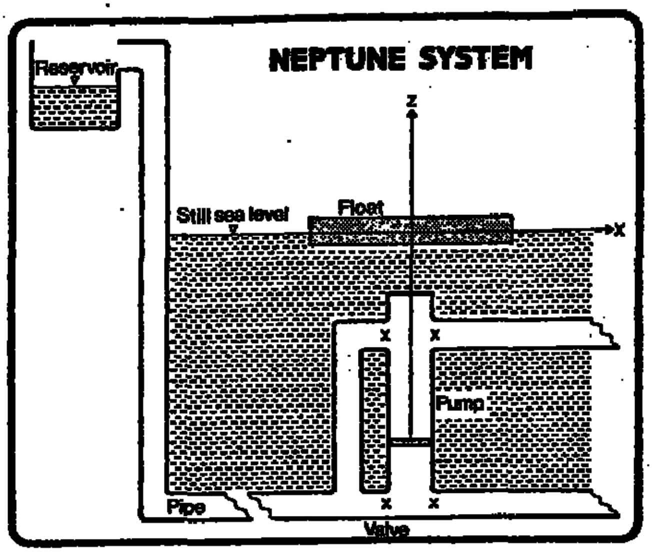
This lower cost compares very favourably with the 6-20p per kWh cost of generating power from diesel generators for remote communities away from the national grid. But, as Dr Bellamy admits, the device's true operating costs can only be accurately determined by trials with a full-scale device capable of generating about 1MW. Under the existing economic and political climate in the UK, such a full-scale test looks unlikely but there may still be hope for the device.

The North of Scotland Hydro-electricity Board (NSHEB) is known to be enthusiastic over wave and other renewable energy technologies and would like to run full-size demonstrations. It is, however, hampered by Government constraints which put an upper limit of 2p per kWh on the NSHEB's investment in new generating systems. Nevertheless, the NSHEB still has access to an EEC grant for an earlier wave energy demonstration project which never took off. If this grant — amounting to 40 per cent of the project's cost — could be applied to tests on the Circular Clam, then it is still possible that a full-scale system could be built — at a cost of between £4m and £10m — using a combination of NSHEB and EEC financing.

Discussions are taking place between the NSHEB and the Clam's commercial backers—Sea Energy Associates (SEA)—and if a successful conclusion results, SEA would like to build the first device at Loch Kishorn which has suitable facilities for constructing the circular device.

SEA is not the only commercial organisation out to win the NSHEB's backing. A US company called Wave Power Industries has arrived in the UK and is currently demonstrating its own wave energy system to potential customers, among them the NSHEB and the Central Electricity Generating Board.

Whereas the Circular Clam is a flexible system anchored to the seabed, the Neptune System from Wave Power Industries is a fixed structure based on the use of concrete caissons. In a full-scale structure, the system will have a 20 metre diameter circular caisson enclosing a hollow, steel-reinforced, concrete float which rises and falls with waves arriving at the location. The float's motion drives a double action positive displacement pump in the caisson to pump seawater into a storage tank on top of the caisson. The stored water is allowed to drain through a conventional hydro-electric turbine and the power generated is transferred to shore by subsea cable.



Wave Power Industries' president, Ernest Amador, says that $8.5m of private investment capital has been put into the system and the company is in a position to seek backers for a full-size device generating up to 1.2 MW from each individual caisson.

Since all Neptune's components are "off-the-shelf" and have been tried and tested over many years, the company can give firm estimates of construction, installation and power output costs. In wave energy conditions such as those found off northern Scotland, Mr Amador is confident that the Neptune could be built for £1,000 per kilowatt installed and should produce power at about 2.3-3.5p per kWh.

If this claim is found to be accurate, then the system could start attracting the likes of the NSHEB. But once again, the figures can only be verified with full-scale trials and the Department of Energy—which would be expected to financially support such a project—is unlikely at present to change its negative stand on wave power.

However, if the installed system costs and the power output costs come in line with the NSHEB's 2p per kWh constraints, the NSHEB may be faced with a dilemma over which of the wave power systems to back.

Dr Bellamy's team at Lanchester must be a favourite for consideration since the device was developed in the UK with Department of Energy finance and backing from SEA which is a consortium of British companies. In addition, only European companies would have direct access to EEC funds for a demonstration.

But, on pure costing, the Wave Power Industries device appears, on the face of it, to be capable of more accurate assessment since it uses known components. And Wave Power Industries may not be too concerned about not being eligible for EEC funds.

Mr Amador says that his company has been set up to either sell the technology to potential customers or to act as a private utility to sell the power to consumers. Now that the Energy Act enables private power utilities to compete with the CEGB and the area electricity boards, Wave Power Industries may opt to raise its own capital for plant construction and to sell its power to the NSHEB.

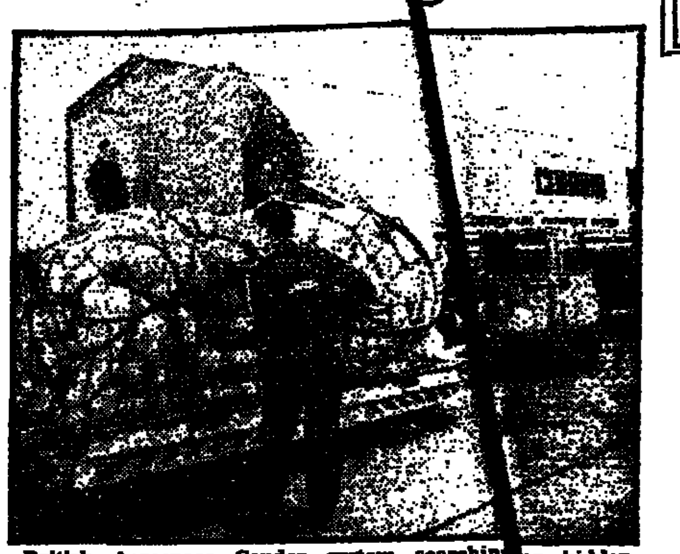
Getting onto the scent of terrorists and smugglers

A "SNIFFER" SYSTEM aimed at making life more difficult for terrorists and smugglers has been developed by British Aerospace (0344 483222) and is being investigated by British Airways for detecting explosives in passenger baggage carried in an aircraft's hold.

Known as Condor, the system uses a mass spectrometer, an instrument which detects the very specific emissions of charged atoms when gases and vapours are electrically charged. Every substance, including explosives, has a spectrographic "fingerprint" which enable the type of explosive or drug to be detected when the vapour is present in only minute amounts.

Detection is not masked by other strong smells because the system is programmed to look only for the specific fingerprints.

Condor will fit into a standard container vehicle or can be a fixed installation at an airport or other transportation terminal. Two operators are needed. One probes luggage with a hose connected "sniffer" probe which sucks in samples for analysis, while the other watches for specific results on a screen. Up to 20 samples an hour can be taken and up to 64 different chemicals can be programmed for recognition by the system.



British Aerospace Condor system searchin or hidden explosives and drugs in an air ca

CELLULAR RADIO is to be introduced into Turkey by Mobira Oy, Finland's major mobile communications company, under a £6.6m contract placed by the Turkish Office of Post and Telecommunications.

The contract is initially for the construction of a system for the Ankara and Istanbul areas. It will be based on the NMT (Nordic Mobile Telephone) system that has served Finland, Sweden, Norway and Denmark for several years and in which Mobira plays a major role.

Meanwhile, in the UK, Vodafone, one of the two cellular systems, will soon be found in a new coach service called London Liner. The idea is to attract more business people to coaches when travelling in the UK. In addition to the Vodafones, the coach service will offer a guaranteed seat of the passenger's choice and optional video programmes. The coaches operate between Birmingham and London city centres at two hour intervals. The return fare is £9.

LASER SCANNING in retail outlets takes a new direction with a device from Datachecker/DTS, the UK subsidiary of National Semiconductor of the US. It uses a horizontal beam instead of a vertical one.

Called SABR (side acquisition barcode reader), the system is said to allow cashiers to sit comfortably and use natural arm movements to check out merchandise. Higher speed, better accuracy and less fatigue are the claimed advantages. More in London on 01-568 4320.

THEATRE DESIGNERS and production managers are being offered a form of computer-aided design developed specially for them by US-owned Computervision (CV).

Called Modelbox, the idea was originally conceived by design consultants Robary of Cambridge, UK. Linked into Robary's bureau service, Modelbox uses the CV two dimensional draughting and 3D modelling system called Medusa.

Once the stage dimensions are fed into the computer, the designer can produce 2D plans and elevations and various 3D vie When the design has be agreed, it can be printed t for use by stage and ing technicians and set ers, with full details of th t including walls, doors d moveable items such urniture and rugs.

All the details be repositioned on the en and viewed from ever ossible angle — in part r to check the view gain y any member of the ience. More on 0256 58133

WORTH WATCHIN

EDITED BY GEOFF CHA

BETTER LCD (liquid tal display) techniques ve been applied to yield h er contrast devices by E n, the Japanese electronics pany.

It is claimed that the devices, with contrast ra twice as high as those fo in conventional displays, provide much higher legibi in portable computers a word processors. A wid effective viewing angle also obtained.

The first module to becom available, the EG70035-AR, a 640 x 200 dot model with 1:1.4 aspect ratio which allows it to display graphics normally only seen on cathode ray tube displays. More, in London, on 01-902 8892.

Dose that makes for healthier cattle

CATTLE WORMING can be carried out more effectively and conveniently using a new wormer capsule developed by Coopers Animal Health of Crewe, Cheshire, UK (0270 580131).

Tests by the company have shown that timed releases of anti-worming drug into the animal's first stomach is more effective than slow, continuous release—it is more akin to injections at prescribed intervals.

So Coopers has designed Autoworm, which consists of a steel end-weight (which keeps the capsule permanently in the animal's stomach) with a magnesium alloy core. Five doses of a drug called oxfendazole are arranged along the core in a series of protective plastic segments. The release of each segment is determined by the corrosion rate of the central magnesium alloy core.

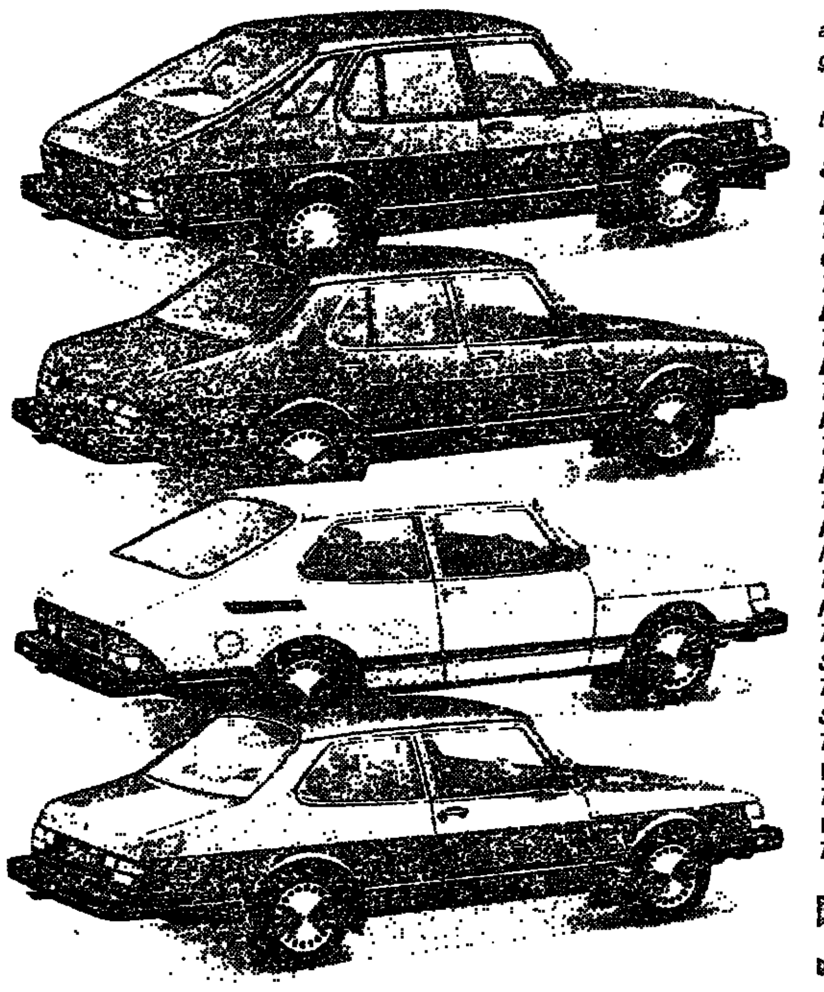
The doses are released at intervals of about three weeks over a total of 130 days. This enables farmers to protect their young cattle, throughout the whole of the worm risk period, with just one dose.

HOLOGRAPHIC technology has become an art form at Light Fantastic of London (01-734 4516), which is transferring holograms on to the pages of UK comedian Michael Palin's new book, "The Mirrorstone."

Two million of the embossed holograms will be used in the book's print run, on the front cover and on six full colour pages inside. Light Fantastic says that the book will demonstrate for the first time how holograms can be used as an artistic complement to conventional printing, packing and promotional techniques.

Motor Cars

POWERFUL INJECTIONS FROM £8,995.



Fuel-injected cars built by a plane maker are bound to be exceptional.

Saab's range of 2, 3, 4 and 5 door models feature a highly-developed 2-litre engine (118 bhp, top speed well over 100 mph) and an impressive array of standard equipment including power steering, central locking and disc brakes all round.

Add Saab's traditional comfort, safety and reliability from just £8,995 and you've got a very powerful package.

Simply contact your nearest Saab Dealer to arrange a test drive.

SAAB IN LONDON

BECKENHAM Brutons of Beckenham Ltd Tel: (01) 650 3333
CHIGWELL North City Autos Ltd Tel: (01) 500 4144
EALING Swedish Car Centre Tel: (01) 567 7035
ELTHAM Becketts of Eltham Tel: (01) 850 2009
FINCHLEY Ballards Garage Tel: (01) 346 6696
KENSINGTON Ace Kensington Tel: (01) 937 5691
KINGSTON-UPON-THAMES Home Park Garage Ltd Tel: (01) 546 9516
PICCADILLY Saab Piccadilly Ltd Tel: (01) 409 0990
SLOUGH Saab Haymill Ltd Tel: (02814) 5111
STAINES Jefferson Carr Centre Tel: (0784) 63233
WATFORD Viking Autos Ltd Tel: (0923) 55200
WIMBLEDON Saab Wimbledon Ltd Tel: (01) 543 4012

SAAB

THE PRICE QUOTED FOR THE 900 3 DOOR (CORRECT AT TIME OF GOING TO PRESS) INCLUDES FRONT AND REAR SEAT BELTS CAR TAX AND VAT BUT EXCLUDES HP. NUMBER PLATES, DELIVERY AND SUNROOF

Ring us for the best company car deals.

It's not hard to find the best leasing and contract hire deals – just talk to Dovercourt Plaistow on 01-534 7661.

Dovercourt
Plaistow: 259 Plaistow Rd., E15.

TAKE THE PROFIT

On your new car investment. Painless import: You take the profit, we do the work. Buy via

Mycar

0895 39990/71831/2

Personal

MEETING £ 65.98

*(Space available on request)

Canadian Pacific's luxury German hotels offer new special budget meeting package – £ 65,98* per person, per day including accommodation, breakfast, lunch or dinner, conference room, coffee and more. For full details call 010 49/69/77 07 21 Ext. 2288.

Canadian Pacific Hotels
Hamburg · Bremen · Frankfurt

THE MARRIAGE BUREAU (Heather Jenner), 124, New Bond St., W1. 01-629 9634. (Est. 1939.) Personal Service.

PUBLIC SPEAKING training and speech writing by award-winning public speaker. 01-451 292. First lesson free.

APPOINTMENTS

BP Shipping makes changes

Mr Michael R. Pattinson has been appointed managing director of BP SHIPPING from July 1. He joined BP in 1955. In 1982 he was appointed general manager (Operations), BP Petroleum Development (North West Europe) based in Dyce, Aberdeen, responsible for all of BP's oil and gas exploration and production in the UKCS and onshore UK, and for the operation of the Sullom Voe Terminal. In December 1985 he returned to London in charge of North Sea offshore oil developments. He succeeds **Mr Ian G. S. Hartigan**, who has been appointed president, BP North America.

★

The CO-OPERATIVE BANK has appointed **Mr Hiley Sheppard** as assistant general manager and chief inspector. Mr Sheppard has been chief inspector since 1975 but takes on additional financial responsibilities with his new appointment.

★

Independent venture capital company BARONSMEAD ASSOCIATES has appointed two new deal managers. **Dr Bernard Booker** joins from the agricultural division of ICI where he led the new ventures group. **Mr Robert Wilson** joins following five years' experience at County Bank.

★

AUDI VOLKSWAGEN has appointed **Mr David Carter** parts and service director. He is currently director and general manager—Europe for Lucas World Service, part of Lucas Industries Group. He will join the board of Audi Volkswagen on June 30.

★

Mr Simon Dare, previously secretary of The Union Discount Co of London and of the London Discount Market Association, joins the board of CLIVE DISCOUNT CO on July 17. **Mr Ashley Down** and **Mr Christopher de Boer** have been appointed directors. **Mr Nicholas Chamberlen**, chairman of Clive and of the London Discount Market Association, has become a director of The London Stock Exchange firm of P-B Securities, Down, de Boer & Duckett, an affiliate of Prudential-Bache Securities Inc. The appointments follow the agreed bid for Clive Discount by Prudential-Bache Securities Inc through Bache Group Inc. Prudential-Bache Securities Inc is a wholly-owned subsidiary of the Prudential Insurance Co of America.

★

Mr James Symmons has been appointed managing director of NEI-A.P.E. He joins NEI-A.P.E. after 10 years with NEI, originally at NEI Thompson in Wolverhampton, and latterly at NEI International Combustion, where he was process plant director, responsible for three business units and research and development.

★

NORBAIN MICRO has appointed **Mr Ashley Ward** managing director. Mr Ward moves to Norbain Micro after holding the position of software products director with Micro-APL.

★

BRISTOL VIDEO has made the following appointments: **Mr A. C. J. Mines** becomes deputy managing director while retaining his responsibilities as sales director; **Mr I. R. Bowering** has become technical director.

★

Mr M. B. Turner will be admitted into PANNELL KERR FORSTER's Isle of Man partnership on June 30. **Mr J. C. Cain** and **Mr G. M. Crowe** are retiring from the partnership.

★

CUSTOM LEASING UK, sales-aid leasing subsidiary of Morgan Grenfell Holdings, has appointed **Mr Jon Whiteley** to the board as marketing director.

★

Following the retirement of PROWTING HOLDINGS' joint managing director **Mr Les Ereson** the company has made several board changes. **Mr Terry Roydon** remains Prowting Holdings' managing director. At Prowting Southern (Bognor Regis) **Mr Reg Smith** becomes managing director, **Mr Geoff Hardstaff** planning director, **Mr Jim Pallett** technical services director, and **Mr Trevor Lee** building director. At Prowting Western (Malvern) **Mr Graham Hannah** becomes managing director; **Mr David Taylor** development director, and **Mr Neil Ward** building director. At Prowting Estates (Ruislip) **Mr Nigel Scrivin-Wood** becomes managing director.

★

TANDON COMPUTER (UK) has appointed three main board directors: **Mr Ray Rose** has been appointed technical director. Previously he was technical manager. **Mr Mike Lucas** is now sales director from sales manager and **Mr Keith Weaver** is promoted to financial director from financial controller.

★

Mr Ray Way, chief executive of Barrow Hepburn Group, has been elected president of the BIRMINGHAM CHAMBER OF INDUSTRY AND COMMERCE (BCI). Mr Way was chairman of the Industrial Affairs Committee of the BCI from 1982-1985 and succeeds **Mr Frank Graves** as president. **Sir Adrian Cadbury**, chairman of Cadbury Schweppes has been elected vice-president and **Mr Harold Musgrove**, chairman and chief executive of the Austin Rover Group, has been re-elected vice-president.

★

Mr Bert Modlock has become chairman of WATMOUGHS (CITY PRINT). **Mr Patrick Walker**, chairman and managing director of Watmoughs (Holdings), the parent company, who was previously chairman remains on the board. Mr Modlock was until earlier this year head of Lonrho/Suits printing and publishing division which included City printer Greenaway Harrison. He will be responsible for the development of Watmoughs (City Print) and the group's expanding interests in corporate and financial printing in London.

The Securities referred to below have not been registered under the United States Securities Act of 1933 and may not be offered, sold or delivered in the United States (including the United States of America, its territories, its possessions and other areas subject to its jurisdiction including the Commonwealth of Puerto Rico) or to United States persons.

4th June, 1986

General Motors Corporation

(Incorporated in the State of Delaware, United States of America)

Yen 22,000,000,000

5¾ per cent. Notes due June 18, 1991

Issue Price 101½ per cent.

The following have agreed to subscribe or procure subscribers for the Notes:

Mitsui Finance International Limited	Morgan Guaranty Ltd
Bank of Tokyo International Limited	Credit Suisse First Boston Limited
Dai-Ichi Kangyo International Limited	Daiwa Europe Limited
Goldman Sachs International Corp.	IBJ International Limited
Leu Securities Limited	Merrill Lynch Capital Markets
Mitsubishi Finance International Limited	Morgan Stanley International
Nomura International Limited	Salomon Brothers International Limited
Sumitomo Trust International Limited	Tokai International Limited

Application has been made for the Notes, in bearer form in denomination of Japanese Yen 1,000,000 each, constituting the above issue to be admitted to the Official List by the Council of The Stock Exchange, subject only to the issue of the temporary global Note. Interest will be payable annually in arrear on 18th June, the first payment being made on 18th June, 1987.

Listing particulars relating to the Notes and the Issuer are available in the statistical services of Extel Statistical Services Limited and copies may be obtained during usual business hours up to and including 6th June, 1986 from the Company Announcements Office of The Stock Exchange and up to and including 17th June, 1986 from the following:-

Mitsui Finance International Limited 1 London Wall Buildings London Wall London EC2M 5PP	The Mitsui Bank, Limited 34-35 King Street London EC2V 8ES	Cazenove & Co. 12 Tokenhouse Yard London EC2R 7AN

This advertisement complies with requirements of the Council of The Stock Exchange.

We are pleased and proud that we have become a member of the New York Stock Exchange

Carl Marks & Company, Inc.
77 Water Street, New York, N.Y. 10005
(212) 437-7675 (800) 336-6682

Residential Property

Montpelier International plc

SOUTH OF FRANCE
Antibes – Valbonne

Mont d'Azur, Route de Biot
Unrivalled panoramic views to the coast and mountains. A luxurious private estate of spacious and beautifully designed country houses. 20 mins. to Nice and Cannes; 5 mins. to Biot and Valbonne.
- **Golf, riding, and marinas nearby.**
- **4/5 bedrooms, 2/3 reception rooms, enclosed courtyard, large garden, swimming pool, and maid service. 1,950,000 FF.**

EXHIBITION
Montpelier International plc invites you to:
The Hyde Park Hotel, Knightsbridge, London
TODAY
&
on **Thursday 12th June**
10.30 am – 8.00 pm.

PORT GRIMAUD
Latest phase now available
New style 2 & 3 bedroom houses, some with 43m² solariums and large luxury houses also available with private swimming pools. Completion Summer 1987.

SOUTH OF FRANCE
St. Tropez – Cavalaire

Croix Valmer – Super Valmer
Provençal villas set in the tranquillity of a wooded green zone with stunning views to the Iles d'Hyères.
- **The best beaches of the South of France minutes away.**
- **Golf, tennis, and marina nearby.**
- **3 bedroom houses, large 40m terraces, maid service. 935,000 FF.**

London 01-589 3400 · Bath 0225-339033 · Manchester 061-834 3386

WESTBOURNE HOTEL
LONDON W11
FREEHOLD DETACHED HOTEL
In Good Location
Possible Redevelopment
FOR SALE BY TENDER
on June 4th, 1986.
MEREDITH & CO
01-589 3443

SPACIOUS FLAT—Suit family. 2 single, 2 double bedrooms, sep. recep. and dining rooms, fully fitted kit., bathroom with shower, CH-CHW. Large garden. £275 pw. 01-748 4202.

Rentals

NEW — Near MARBLE ARCH
FOR BUSINESSMEN
FULLY SERVICED LUXURY FLATS

STUDIO	£150 - £300 P.W.
1 B/R	£250 - £350 P.W.
2 B/R	£350 - £450 P.W.
3 B/R	£450 - £750 P.W.

Short and long Company lets
DUKE LUXURY FLATS
14 Elm Court/11 Harrowby Street
London W1
Telephone: 01-723 7077
Telex: 24141 DUKEAP

DUKE

DUE TO INCREASING DEMANDS WE REQUIRE QUALITY PROPERTIES IN PRIME LOCATIONS FOR LETTING TO CORPORATE TENANTS

Anscombe & Ringland
Residential Lettings
Head Office: 8 Wellington Rd, St. John's Wood, London NW8. 01-722 7101
Knightsbridge 01-225 1972 Kensington 01-727 7227

Keith Cardale Groves

MAYFAIR W1

A selection of spectacular flats in a handsome block, ideal for entertaining at senior ever. level, no expense has been spared in creating homes of considerable style and the interior decor with French furnishing must be viewed. 1/2/3 bed. Flats available—rental from £650-£1,500 per week, to include lift and porterage.

01-629 6604

HENRY & JAMES
CONTACT US NOW ON
01-235 8861
For the best selection of Furnished Flats and Houses to Rent in
Knightsbridge, Belgravia and Chelsea

UPPER BERKELEY STREET MARBLE ARCH
LUXURY FURNISHED HOUSE TO LET
4/5 bedrooms, large drawing room, excellent dining room, study bedroom, 3 bathrooms, fully fitted kitchen and separate laundry room, newly furnished.
Available for 12 months plus letting at £850 per week. Short lets negotiable.
Contact to view:
01-491 4405 01-373 7737

KENWOOD RENTALS
QUALITY FURNISHED FLATS AND HOUSES
SHORT AND LONG LETS
TEL: 01-402 2271
TELEX: 25271

QUALITY FURNISHED RENTALS — For a quarter of a century we have let and managed 1st class property. Do call us: Hunters 01-837 7365.

Overseas Property

PRINCIPALITY OF MONACO

SUPERB SLIT-LEVEL APARTMENT
for sale, 320 sq.m. with large roof garden, two living rooms, dining room, two fully equipped kitchens, 5 bedrooms, 6 bathrooms, 3 parking spaces, 2 cellars and a panoramic view over the Principality and the Mediterranean.
For further details please contact:
AGEDI
26 bis, boulevard Princesse-Charlotte, MC 98000 MONACO.
Tél.: 93 50 66 00 - Telex: 479 417 C
Sole Representative for the Principality of Monaco of:
SOTHEBY'S INTERNATIONAL REALTY

SWITZERLAND
EXCEPTIONAL
For sale, direct from the builder, in
VERBIER
in the magnificent ski resort of the Wallis Alps
DUPLEX APARTMENT
1 living, 2 bedrooms, kitchen, balcony, parking place
Beautiful view on the Alps
Sunny and quiet
Price SFr260,000
Mortgages up to 60% available
Write: Mr Pierre Peju
PO Box 129
CH-1018 Lausanne 18, Switzerland

SWITZERLAND
Sale to foreigners authorized
Lake Geneva & Mountain resorts
You can own an APARTMENT or CHALET in: MONTREUX, CRANS-MONTANA, VERBIER, VILLARS, LES DIABLERETS, CHATEAU-D'OEX, GSTAAD Valley, JURA, Thermal Center in the Rhône Valley, etc... from SFr. 118 000.— Mortgages 60% at 6½% interest.
REVAC S.A.
52, rue de Montbrillant - CH-1202 GENEVA
Tel 41.22/34 15 40 - Telex 22030

HOLIDAY CLUB PROJECT with yacht-harbour and apart-hotels on Spanish peninsula. Developer — operator — professionals please contact: GAV, Ledererstr. 2, 8000—Munich 2.

Legal Notices

IN THE MATTER OF
SEDNETH DRILLING CONTRACTORS LIMITED
AND IN THE MATTER OF
THE CYPRUS COMPANIES LAW
CAP 113

NOTICE IS HEREBY GIVEN that the creditors of the above-named company, which is being voluntarily wound up, are required on or before the 30th day of June 1986 to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their Solicitors (if any) to the undersigned Mr Antony Hajiroussos, FCCA, of Julia House, 3 Themistocles Dervis Street, PO Box 1612, Nicosia, Cyprus, the Liquidator of the said company, and if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such claims are proved.

Dated this 2nd day of June 1986.
A. HAJIROUSSOS, FCCA,
Liquidator.

Clubs

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St., W1. 01-734 0557.

Legal Notices

IN THE HIGH COURT OF JUSTICE
No. 002628 of 1986
CHANCERY DIVISION
IN THE MATTER OF
RAYBECK PLC
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 9th day of May 1986 presented to Her Majesty's High Court of Justice for (a) the sanctioning of a Scheme of Arrangement and (b) the confirmation of the reduction of the capital of the above-named Company from £9,000,000 to £1,711,282.10. The amount by which the capital of the Company is proposed to be reduced is to be applied in paying up shares of the Company to a like amount in accordance with the said Scheme of Arrangement.

AND NOTICE IS FURTHER GIVEN that the said petition is directed to be heard before The Honourable Mr Justice Hoffmann at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 9th day of June 1986.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of Capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under-mentioned Solicitors on payment of the regulated charge for the same.

Dated this 23rd day of May 1986.
LINKLATERS & PAINES (DHC)
Barrington House
59-67 Gresham Street
London EC2V 7JA
Solicitors for the Company

No. 002875 of 1986
IN THE HIGH COURT OF JUSTICE
Chancery Division
IN THE MATTER OF
TACE PUBLIC LIMITED COMPANY
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 9th April 1986 presented to Her Majesty's High Court of Justice for the confirmation of the cancellation of the Share Premium Account of the above-named Company.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Hoffman at the Royal Courts of Justice, Strand, London WC2A 2LL on the Monday the 16th day of June 1986.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said cancellation of the Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

DATED this 22nd day of May 1986
LOVELL WHITE & KING of
21 Holborn Viaduct
London EC1A 2DY
Solicitors for the above-named Company

M. KAUFFMANN (WHOLESALE CATERING EQUIPMENT) LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 588 of the Companies Act, 1985 that a Meeting of the creditors of the abovenamed Company will be held at the offices of
LEONARD CURTIS & CO.
situated at
30 Eastbourne Terrace (2nd floor)
London W2 6LF
on Wednesday the 18th day of June 1986 at 12.00 o'clock midday for the purposes provided for in Sections 589 and 590.

Dated the 27th day of May, 1986.
M. A. SHULMAN, Director

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Dawson keeps warm by buying brand leaders

Anthony Moreton explains the UK textiles group's strategy after its abortive takeover

RONALD MILLER was sitting round the boardroom table in his Kinross office with two colleagues, John Waterton and John Embrey, just before 8.30 on the morning of Monday February 10 discussing the agreed merger between their company, Dawson International, and Coats Patons, when the phone range.

"From the first moment that he took the call," Waterton recalls, "I could see his face go white. He was very angry. Very angry indeed."

The call was from one of the knitwear company's advisers in London. He had rung to say that underwriting was at that moment going on for a merger between Vantona Viyella and Coats, an altogether much larger grouping. Dawson had been ditched just as it was about to take the walk down the aisle to the altar.

"I had been in touch with James McAdam (chief executive of Coats) as late as a quarter to seven on the Friday night," Miller says. "We had been agreeing the final wording of the offer document. It never occurred to me that Coats was going to pull out.

"Then the day before the phone call a Sunday paper had flown a Vantona-Coats kite, but I simply did not believe it.

"Immediately after the call I rang McAdam, who said he was trying to get hold of me. 'What goes on?' I asked, and he admitted he had just done another deal, this time with David Alliance's Vantona.

"I was very angry. I said to him: 'You have sold us down the river. You have sold Scotland down the river.' The conversation was short and anything but sweet."

Miller is not now bitter about having his applecart upset. Disappointed, yes. "There is no point in business in getting all worked up and twisted. I was very disappointed because it was an opportunity missed. In particular, it was an opportunity to build a great Scottish company in the textile industry."

The proposed Dawson-Coats merger had not been rapturously received in the City and there were some fears that Dawson, which produces some of the best knitwear in the world under names such as Pringle, Ballantyne, Barrie and Braemar, and the Glasgow-based multinational threads-based Coats Patons, a company that badly needed revitalising, were less than a complete match.

Miller does not accept this thinking; he believes his style of management could have rejuvenated Coats. He was, however, highly conscious of the issue of dilution of earnings and refused to go further than the agreed offer price of 245p a share in order to join a bid battle.

Miller believed a long-term strategy rested on clear synergy between the two companies. Both were strongly involved in brand-name lines, on yarns and knitwear. Both had woollen interests in Yorkshire and Coats had a very strong presence overseas, a path Dawson was interested in emulating.

Then there was the Scottish connection. This existed on both a personal and a corporate level. There is no mistaking where McAdam comes from and it is possible to detect the brogue in Miller's accent. Kinross is little more than 50 miles from Coats' headquarters in Glasgow's St Vincent Street. There has also been inter-company trading between the two.

Miller was also conscious that he did not have the people to spare for a fight. The whole HQ staff in Kinross, 30 minutes drive north of Edinburgh, for a group numbering 9,000, is just 16 including the secretaries. In essence, the three men in the office on February 10 — Waterton is marketing director and Embrey financial director — run the company.

"Since we did not have the management to spare we needed Coats' co-operation," Miller says. "But we made it clear to Coats that although for technical reasons the deal would appear as a merger, we were the leaders. I was to be the chairman, that was clear. Furthermore I was to be an executive chairman. I would not be a rubber stamp sitting in this office. We were to be the leaders and Coats agreed to that."

Ronald Miller: believes his style of management could have rejuvenated Coats

Despite protestations of not being bitter Miller has taken an action that is probably unique in a failed bid. Dawson is suing Coats for £6m, the cost of its underwriting fees and expenses.

"It goes against the grain to spend £6m and get nothing in return," says Miller, a slightly built Scot who admits to approaching most issues cautiously. "I like to see the salmon running a bit before making a strike."

The legal action is not being taken just to protect profits, according to Embrey. "The cost is an extraordinary item taken below the line. The on-going cost is interest that we would have earned on the money if it had been invested elsewhere. Assuming you could get 10 per cent, then the cost would be £600,000 a year."

That is a high enough extraordinary item to bear but with Dawson's profit last year at just over £35m on a turnover of £226m, it is not a serious blow.

Miller denies there is any sense of outraged amour propre in the decision to sue. "We are not doing this because we have lost face. We do feel hard done by and believe we have a very good case for getting our money back."

The bid and the consequences have tended to overshadow the very real progress and the strategic thinking behind what progress the company has made.

Dawson is the product of a reverse merger in the early 1960s between Todd and Duncan, a Kinross spinner, and Joseph Dawson, a Bradford processor. Todd and Duncan, subsequently Dawson, was built up by a wartime fighter pilot, Sir Alan Smith, now retired to a non-executive directorship. The business had become overcentralised in the 1960s and 10 years ago the company was just in profit but weighed down by a large overdraft.

A policy of decentralisation helped cure the immediate ills and when Miller took over the chair in 1983 the recovery was well under way.

The outlines of the strategy had been laid down. The first principle was to go for quality goods based on speciality fibres. Dawson group companies make upmarket sweaters and fashion knitwear in fibres such as cashmere (the yarn itself now costs around £90 a kilo: a kilo makes two or three pullovers), vicuna, and the very best Merino lambswool and top-grade cotton.

"Five years ago we were probably only known as a quality knitter," Waterton says. "Today, knitwear is less important in the total but quality is, if anything, even more important.

"McGeorge, for instance, was originally a one-season Shetland knitter. Now it is into cotton for summer clothes. In America its cottons are known as summer cashmere."

The company has also moved into other fabrics. It is one of the largest users of Dralon — a man-made fibre from Bayer — in the UK, with a big share of the market for fleecy fabrics, fun furs and seat upholstery.

The most important step Miller has inaugurated has been to switch the group away from its UK dependence and it is on this that life after Coats will be based.

"I decided we should look at the global village and ask where we should be in the world. With the exception of a small operation in Hong Kong, we were a UK manufacturer. All our overseas sales were direct exports."

In the past two years Dawson has made two important takeovers in West Germany and the US and is now an emerging overseas producer as well. About 30 per cent of its turnover originates abroad, though it will not say how much of the profit comes from overseas.

In 1983 it bought KSW, a German spinner of hand-knitting yarns for £7m and a year later J. E. Morgan Knitting Mills of Pennsylvania, a market leader in thermal underwear, for £30m.

Both are market leaders in speciality products in their own markets — a Dawson hallmark. They will be followed into the group by others. Dawson is looking for companies to enhance its base in strong-currency, stable-economy countries with strong spending power.

"Our policy is to get greater depth in overseas markets than is possible by direct marketing," Waterton says.

Miller adds that Dawson is "a careful, conservative company that wants to get into countries with careful economies.

"We also want to be near our consumers. We are not seeking to repeat the Dawson UK manufacturing formula in these markets, but to develop brand names in the way appreciated by these markets."

The US is a good example. Morgan has direct sales to major store groups such as K-Mart, Sears Roebuck, J. C. Penney and Walmart. Where Pringle makes 40,000 pieces a week, Morgan is making 40,000 dozen. K-Mart orders reach the Morgan factory on a Tuesday afternoon and have to be on the shelves eight days later.

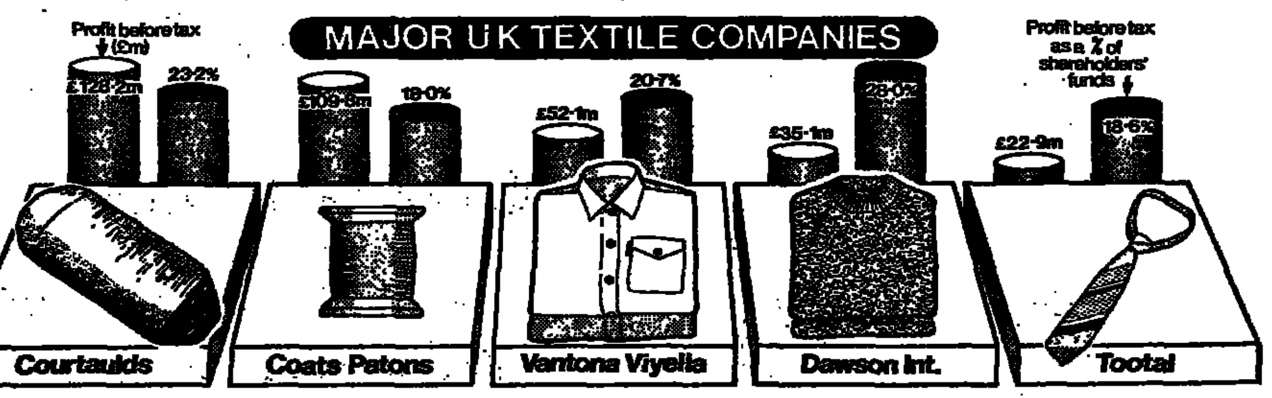
In West Germany, KSW had a large unbranded trade and a managing director who wanted to develop the branded side of the business but was being held back by the previous ownership. "Our ownership helped give him the fresh air that was needed," Miller says, and the results have been every bit as good as he could have wished.

There is a considerable premium on brand names in the textile and clothing world and Dawson is now developing them as hard as possible since profit can be up to three times as high on branded as on unbranded lines.

Any expansion by Dawson will not necessarily be in its traditional knitwear but it will be in textiles. "That's what we know and that's what we shall stick to," Miller says.

The scars of the Coats debacle have now healed but psychologically the wounds may still be there. The legal action shows that some time may be necessary for the therapy policy finally to exorcise things that go bump in the night.

Dawson has high hopes of being able to announce further moves, probably in the US, before the summer is out. That could be the real point of liberation.



The search for common factors

Hazel Duffy on women company proprietors

RELATIVELY little that is readable yet well researched has been published about the part that women play in business in the 1980s, or of women in the workplace generally. Most of what appears is couched in heavy sociological jargon, or laden with political-type commentaries. At the other extreme, it is frivolous and based on little but anecdotes.

Leah Hertz's book*, The Business Amazons, sounded at the start as though it was to be pitched attractively in between. She set out to find whether common factors could be identified in the pitifully small number of women who control (i.e. hold at least 50 per cent of the equity) sizable businesses (i.e. sales of at least $5m in the US and £0.75m in Britain, and employ 25 or more people).

Was there something in their home background, schooling, religion, which spurred them to become "business Amazons?" Did they have specific character traits? By posing the questions, the reader is led to believe that Hertz wanted to reveal how these might differ from common factors in men who run their own businesses.

Hertz interviewed 102 women in the US and Britain in a variety of businesses—mail order, engineering, construction, chemicals, public relations, retailing, fashion, catering, financial services. Their names are listed at the beginning, but from then on they were given pseudonyms, the condition on which they granted the interviews—an understandable but irritating proviso which leads to Dallas-like descriptions such as "Julie Kitson, helicopter magnate" and "Ulrike Jameson, pharmaceuticals millionairess."

Their confidences are packaged by Hertz into a narrative style which fails almost completely to answer the questions on which she set out. On the few occasions that she allows her interviewees to talk at some length, some insight into what made them take the plunge—whether setting up from scratch or taking over a business on the death of a father or husband—begins to emerge. Along the way, some interesting facts are unearthed: only 38 per cent started alone, 51 per cent set up after having children, 54 per cent work with their husbands, and 86 per cent of the American interviewees had a higher education against only 14 per cent of the British.

But the moment that Hertz starts to tackle a topic that looks promising in that it might reveal why a few women succeed where the vast majority never start—such as the discrimination they face by financial institutions—she stops short of exploring further. Instead, she fills up pages on her subjects' attitudes to dress, domestic helps and what they do after work, all of which can be found in most glossy women's magazines.

When they were asked to rate the essential ingredients for success, most voted "hard work" the most important, followed by tenacity, motivation, a way with people, leadership, and so on—ingredients which men in similar positions would probably rate very similarly.

Perhaps this reveals no more than that successful female business owners display—or at least aspire to—the same qualities as male. Perhaps it means that there are no distinguishing characteristics. Hertz is no more successful at identifying common factors among her female achievers, although she leaves that for the reader to conclude. The book does little to advance knowledge on an area which deserves more study.

The Business Amazons, by Leah Hertz. Andre Deutsch. £9.95.

THE ARTS

Thomas Allen as Eugene Onegin

Eugene Onegin/Covent Garden

Andrew Clements

Until 1979 *Eugene Onegin* was always sung at the Royal Opera House in English, but the revival of Peter Hall's 1971 production that year reverted to Russian. It remained in the original language for the most recent revival four years ago, but now it is being given in English once again, as one of two productions chosen by Colin Davis (the other is the new *Fidelio* next month) to mark the close of his period as musical director. Davis also presumably recommended the use of English and certainly with a cast that lacks a native Russian speaker it would seem a perfectly sensible decision.

Ileana Cotrubas took the part of Tatyana when the production was new and sang in English then; despite the strong accent — sounding sometimes more like the au pair girl than the daughter of the Larina household—she still manages to convey a frailty and youthful impulsiveness that are immensely attractive, even if the upper register does not come as freely as it did a decade ago. But lining up such an effective actress against Thomas Allen, making his debut in the title role, ensures a tightly-controlled and always compelling central confrontation.

Before the performance began Mr Allen was stated to be suffering from a heavy cold, yet one would have hardly suspected it either in the firmness of his singing, impeccably articulated, or the fierce concentration of his acting, presenting an Onegin whose intellectual disdain is combined with a scarcely-repressed and slightly threatening physicality.

Other newcomers include Anne Howells, a prim, slightly colourless Olga, Nuala Willis' homely Madame Larina and Matthew Best's Veretsky, while Elizabeth Bainbridge (the nurse) and Gwynne Howell (Prince Gremin) repeat their beautifully detailed and understated characterisation. The Lensky of Neil Rosenshein, making his house debut, is more problematical. He certainly looks ideal—tall, slender and elegant—but his voice is curiously unyielding, with studied phrasing and a narrow range of expression which consistently fails to attract much sympathy.

In many other respects the production continues to show up well. On this occasion it has been restaged by Richard Gregson, who seemed to have been cramped by the detail of Julia Trevelyan Oman's ballroom designs — too many elbows in the chorus and too many hems to be trodden upon — but who apart from failing to make convincing use of the chorus in the first act generally abstracts the central issues of each scene cleanly and without mannerism.

In every respect the first act was the least convincing, and in some measure this must be attributed to Colin Davis' sluggish tempi, which failed to take a hold of the drama even in the letter scene. After the first interval, however, things improved significantly. The dance music acquired a genuine rhythmic edge, and the tensions of the final act began to find reinforcement, rather than mere accompaniment, in the pit. There is good orchestral playing throughout, and on that base a fine, dramatically acute account of the whole opera might well be built in the course of the run.

Television/Christopher Dunkley

Joys of the other screen

One of the questions most commonly asked of the professional critic is whether he or she can really go on enjoying television — or theatre or ballet or whatever his subject may be — knowing that each time he sits down to watch he is going to have to write about the experience later. The answer is yes.

It is undeniable, however, that the writing itself is a chore. That, perhaps, is why I have always looked forward with particular pleasure to watching movies on television: I will not have to write about them because my colleague Nigel Andrews, or his predecessors, will have written the reviews when the works made their original appearances. This awareness of the second-hand nature of "old movies" is presumably shared by all television critics and that, no doubt, is why so little is ever written on the subject. Yet movies (the term "film" is too ambiguous in this context) are among the most popular items on television. Can they really be considered in the general run of programmes as though they were intrinsically no different from anything else on the box and then generally ignored on the same grounds that repeats are generally ignored?

Certainly the fashionable attitude in the movie industry is that screen size is immaterial and the way for backers to recoup their investment nowadays is for movies to be shot not specifically for one medium or another but with the intention of getting a return from all possible outlets: theatrical, pay-cable, satellite, network television, video and so on. Today it is not uncommon for movies to be shot, or anyway framed by the director and cameraman, in two formats: wide screen for theatrical distribution and

> ❛ Television is far and away the most important venue for movie fans ❜

"academy" shaped for the television screen.

Such considerations are not mere fussiness since, in purely practical terms, the relationship between television and cinema continues to be a touchy one. Those working in Britain's small cinema industry have always protested that television, a comparatively large industry, pays too little for movies and adds insult to injury by keeping the audience away from the cinemas. Channel 4, which has such a high reputation in some quarters for its supposedly respectful and helpful attitude towards cinema, is actually one of the worst offenders when it comes to practicalities.

During its recent transmission of *How To Marry A Millionaire*, for instance, we found ourselves listening to the voice of Lauren Bacall but watching a picture showing only the man listening to her: It seemed that C4 had neither narrowed the picture to fit the television screen nor adopted the "pan and scan" method of continuously selecting the key area of the film rectangle to transmit; not with sufficient care, anyway. Then last week one of the C4 continuity announcers — whose style, phraseology and habits become increasingly embarrassing—blurted out the essentials of the plot of *The Hustler* just before the movie was transmitted, thus spoiling it for those who had not seen it.

It must be admitted, on the other hand, that Jeremy Isaacs, chief executive of C4, is the only person in this country with the courage to screen *Sebastiane* and *Jubilee*, the two Derek Jarman movies which were used to whip up emotional hysteria prior to the—luckily unsuccessful — introduction of the Whitehouse / Churchill censorship Bill. MPs were shown carefully selected videotaped extracts from these films to prove how "disgusting" they were, which is rather like photographing a Rubens nude and a George Grosz caricature, cutting out the "dirty" bits and putting these on display to prove that the National Gallery should be closed down.

One of the advantages of movies on television—in addition to the often high production values, the star names and the spectacle so dear to cinema (which can be wasted on television; a point to which we shall return)—is that they are often more "adult" than television's own programmes. *California Suite*, shown by ITV late on Sunday night, is hardly what you would call breathtakingly daring in its treatment of sex; it has nothing remotely similar to the explicit passages in Ken Russell's 1984 movie *Crimes of Passion* or Adrian Lyne's current box office hit *9½*. Yet for all the mildness of the sexual comedy between Michael Caine's bisexual and Maggie Smith's neurotic film star it is still way beyond anything that television would produce for itself. At least *California Suite* was not, so far as I could judge, what the BBC has now started calling a "TV version," which means a movie that has been neutered by television to make it suitable for eight-year-olds.

Is the degree of "adulthood" the only difference, then, between television's own material and old movies? Surely not. Writing about the art of cinema during a review of Clarence Brown's *Anna Karenina* in The Spectator in 1935 Graham Greene said "The film, if it is to be true to itself, must depend first on picture and movement and only secondly on dialogue; it is a director's art, neither an author's nor an actor's." We need to make numerous reservations for actors and actresses who have made the big screen their own, but, that apart, Greene was right.

The most striking and memorable movies from Abel Gance's *Napoleon* to Lean's *Lawrence of Arabia* and Lucas's *Star Wars* have all depended for their success upon "picture and movement" and have been the creations of directors. Cinema is primarily a visual medium. Television on the other hand, in all its most important areas (drama, current affairs, comedy) is primarily a verbal medium which happens to have invaluable access to moving pictures. The television form most closely comparable to cinema — drama — has always been identified in television not with directors but with writers: David Mercer, Dennis Potter, Alan Bleasdale.

This is not to say that old movies are unsuitable for showing on television, although the greater the movie in cinema terms the more it will lose, probably, on television: anyone who has seen *2001*, *King Kong*, or *Bad Day At Black Rock* only on television has not really experienced them at all. On the

> ❛ Movies are often more adult than television's own programmes ❜

other hand it is hard to see that anything much was lost when BBC2 showed Preminger's courtroom drama *Anatomy of a Murder* recently, and the Ealing season on the same channel has resulted in positive gains: watching *The Lavender Hill Mob*, *Whisky Galore*, and *The Titfield Thunderbolt* in successive weeks one gained a vivid impression of post-war Britain in a way which would be impossible for cinemagoers today, except for those living near the National Film Theatre, the Watershed, or the Everyman cinema.

Indeed television is now far and away the most important venue for movie fans. There is still not enough trouble being taken with the arrangement of seasons (for instance Saturday's offering of three Cocteau titles on BBC2 was, like the scheduling of *Heimat*, just too much of a good thing) and it is high time that somebody launched a cinema series to fill the significant gap between *Film 86* and C4's feminist/left-wing cinema programmes. Something pitched at the level of *The South Bank Show* or *Arena's* occasional cinema forays would do very well.

Meanwhile the World Cup is towing in its wake, as alternatives, a whole raft of middle-range movies, including *The Cruel Sea* on BBC2 tonight with a quintessentially British cast (Jack Hawkins, Donald Sinden, Denholm Elliott, Virginia McKenna, Moira Lister) then Robbe-Grillet's *Trans-Europ Express* later on C4. On Saturday C4 has Bogart in *The Desperate Hours* and on Thursday next week ITV screens *Raiders of the Lost Ark*. Who cares if the only current television series worth watching is *A Very Peculiar Practice*?

Romeo and Juliet/Regent's Park

Michael Coveney

The atmosphere on the opening night of the Regent's Park summer season was muggy and grey, but the rain stayed away and the mulled wine and food are well up to standard. The steady improvement of presentation at this address continues with a stylish Victorian *Romeo and Juliet* directed by Declan Donnellan and designed by Nick Ormerod, both of Cheek by Jowl. It lacks real passion and resorts too frequently to camp jocularity, but the evening is admirably and fluently staged.

Cheek by Jowl do classics cunningly on the cheap, but the team is cheeringly capable of mobilising larger resources. The cast enters through the auditorium in a procession, bearing a large iconic Madonna which then dominates the action as the candy-striped blazers and boaters give way to claustrophobic mourning dress after the deaths of Mercutio and Tybalt.

After the interval, Tybalt's catafalque is ensconced in the Madonna's floral grotto and the cast, which is used scenically throughout, enclose the lovers, now isolated in a white communion located somewhere between Verona and Mantua. The Victorian suffocation is complete when Peter Whitbread's drunk and whiskery Capulet turns viciously on his daughter.

There is a slight inconsistency of effect in ranging the Italian Renaissance Christian ideals of honour and devotion against the sterner Victorian values, but Mr Donnellan's imperatives are pragmatic and scenic, and he displays great assurance in overlapping the action and pulling off such striking pictures as a Charleston revel slowed to a decorous cakewalk as the lovers get to first base. A late curtain compelled me to miss the last act, but there seemed little likelihood of this sort of physical invention drying up.

The group scenes are played as just that, a regimented chorus of Capulets even biting their thumbs with Sampson at the Montagues on the opposite side. The fights erupt with much labouring of the drawn weapon double-entendres, swords silkily produced from cane sheaths. Ralph Fiennes's impulsive, athletic Romeo is idolised in a jeering way by Nicholas Wolff's homosexual, hysteric Mercutio. The latter turns the Queen Mab speech into a piece of psychotic self-revelation which worked well.

The central love affair is a little on the prim side, mainly due to Sarah Woodward's interesting, steely-voiced Juliet being first self-possessed ("My bounty is as boundless as the sea" is just one of many statements about herself, and a warning) and later engulfed in cold premonitions. She listens to Dilys Hamlett's chattering, snobbishly genteel Nurse with her nose buried firmly in a book.

This polished performance is sponsored suitably enough by Johnson Wax in its centenary year, an anniversary shared with the birth of the theatre's founder Robert Atkins. It is David Conville's 25th year in charge since he succeeded Atkins, and he seems to have survived the loss of GLC funding with a strong sponsorship drive and extra help from Camden and the City of Westminster. All power to his elbow.

Alastair Muir

Ralph Fiennes and Sarah Woodward

Philharmonia/Festival Hall

David Murray

Giuseppe Sinopoli conducted Brahms and Bruckner with the Philharmonia on Monday night: the latter with evident good intentions at least. It might be fair to assume that what happened to the Brahms Violin Concerto was the responsibility of the narcissistic soloist, Uto Ughi, and that Sinopoli was only trying to be a faithful partner.

Of Brahms's serenity and steady warmth nothing was felt. The orchestral introduction was hard-pressed, but it hardly prepared us for Ughi's panoply of tricksy, self-regarding effects—sudden swoops, smoochy double-stopping, indecent suggestions on the G-string. The first-movement cadenza began and ended with statutory Joachim, but reeled off into inconsequent virtuosity in the middle. Though Ughi retuned repeatedly, even during movements, it was to no avail; by the Finale his pitch had become catch-as-catch-can. Though the tempi were fairly standard, little of the music sounded like Brahms. In the Adagio the orchestral part was intrusively over-pointed. It was all professionally, consistently vulgar.

Bruckner's Seventh Symphony was by contrast sedulously earnest. Very smooth, but not excluding a broad dynamic range, and the Philharmonia was in better form than in Brahms; Sinopoli's stick-technique is visibly less stiff than it was, too. There was fair warning, however, in the early first climax, which left no room for any later climax to top it — and none did. Despite what is probably sincere devotion to Bruckner, Sinopoli has no gift for shaping those long, apparently repetitive movements.

The finale — not pressured, not dragged — was quite interminable nonetheless. Every repetition sounded, dispiritingly, just that. Though the earlier movements went down more easily, all the themes had the same careful, bland stamp, expressively almost weightless. It was hard to believe that the likes of Klaus Tennstedt can find magic (tingling *al fresco* atmosphere, eager suspense, a wealth of significant intimations) in a score that this time seemed irredeemably house-bound and uneventful.

The Flight to Venice/Gate

Martin Hoyle

The airless box above the Notting Hill Gate pub that has come to be identified with much out of the way foreign drama was suitably sweltering for this study of hot-house blooms in Venice. The exotica in question were George Sand and Alfred de Musset, plus a parade of vaudeville-like supporting characters—seductive doctor, distraught adultress, outraged husband—who in the hands of Labiche or Feydeau might have constituted rich farcical fare.

This however is a lesser-known work by Georg Kaiser, translated by J. B. Kenworthy. It takes a sardonic look at the ill-starred relationship between de Musset, committing himself totally to personal involvement, carefully separated from his writing, and Sand, for whom everything is grist to her creative mill. He is desperately hurt to find their love portrayed in her work. She cannot keep life and literature apart.

She is briefly overwhelmed by real love. He reaches an equilibrium. She returns to Paris and the world of letters; he remains to share bittersweet memories and presumably compare notes with the amorously therapeutic doctor.

The dialogue is literate and sometimes dense. "Did I run away like a rabbit?" is answered with "From the phantom of your own imaginings." While Sand's concluding sentiment, that "words are the death of life," is a trifle extreme, they certainly can clog the debate about the overlapping of life and art, especially when they have little new to offer.

The cast for David Graham-Young's production speaks the lines intelligently. Geoffrey Collins's languishing poet really convinces that he has talent (a hard task when portraying artists); a thrusting irony balances his vulnerability. Pauline Cadell's George is fetching in trousers and waistcoat, cogent in argument; and Robert Ashby's doctor, attractive in his very un-Latinate modesty, illustrates the Italian medical profession's bedside manner and then some. A polished performance of a collector's rarity.

The Tonys spread the word for Broadway

An extremely successful nationally-televised Tony awards ceremony came close to making up for what otherwise has seemed a lacklustre season on Broadway. Bickering over qualifications threatened to obscure the quality of the plays in contention, especially the new ones. Yet this was one of those years when the awards recognised a genuinely popular new play which had been overlooked by local critics. *I'm Not Rappaport*, which opens in London next month, opened off-Broadway and from word of mouth, in the absence of critical acclaim, got to Broadway where it has lasted nearly a year. With an award for best play to playwright Herb Gardner along with best actor for Judd Hirsch and lighting to Pat Collins, the play should now be assured a long, well-deserved run.

In the musical category pop singer Rupert Holmes's first Broadway show, *The Mystery of Edwin Drood*, was most honoured with five Tonys, including best musical, book and score, along with best actor to George Rose and best director to Wilford Leach.

Director and choreographer Bob Fosse had the mixed pleasure of seeing more Tonys go to the revival of his 1966 musical *Sweet Charity*, than to his new musical, *Big Deal*, for which he won the best choreography award.

Seasonal highlights were well reflected in the awards of best actress in a musical to Bernadette Peters for her one-hander in Andrew Lloyd-Webber's Song and Dance, and best actress in a drama to Lily Tomlin for her stimulating and demanding one-hander, *Search for Signs of Intelligent Life in the Universe*.

John Mahoney, winning best actor, acknowledged the role of his director and fellow-Tony winner Jerry Zacks by accusing him of taking notes on his acceptance speech for their work in *The House of Blue Leaves*. This may not have won the best-play category, but its total of four Tonys, with set designer Tony Walton and Swoosie Kurtz (featured actress) also winners, raises hopes for continued success with theatre in Lincoln Centre.

Though not usually among the top-rated television shows of the week, the Tony awards spread the word enough to keep Broadway alive for another year.

Frank Lipsius

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Theatre

May 30-June 5

TOKYO

Takarazuka All-Girls' Revue: This phenomenon, the antithesis of Kabuki and where all the roles are played by girls but with typical Japanese innocence and earnestness, is a must for visitors. Takarazuka perform elaborately-staged and skilled musical adaptations of both Japanese and Western plays – also revues and standard musicals. Highly improbable plots are more than compensated for by spectacular stagings. Detailed English summaries in the programme – in case the original story is altered beyond recognition. Takarazuka Theatre, near Ginza and main hotels. Afternoon and evening performances. (581 1711).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

Loot (Music Box): John Tillinger directs this high-spirited revival of Joe Orton's 1966 macabre farce featuring Zoe Wanamaker as the homicidal nurse who romances a widower while burying his wife and conniving with their thieving son to hide the body. (239 6200)

WASHINGTON

The Caine Mutiny Court Martial (Eisenhower): Charlton Heston and Ben Cross star in the military courtroom drama written by Herman Wouk. Ends July 6. Kennedy Center (254 3670).

CHICAGO

Orchards (Goodman): Seven American playwrights, including Michael Weller and John Guare, interpret Chekhov short stories for an inspired evening of performances by the Acting Company which made the commissions. Ends June 29. (443 3800)

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

NETHERLANDS

Amsterdam, Suikerhof Theatre (Prinsengracht 381). The Hall Family presents Old Time Music Hall, with songs to make you sing and jokes to make you weep (Fri, Sat, Thur). (227571).

Amsterdam, Museumplein Marquee. An evening of modern circus from Les femmes de cirque (Wed, Thur).

LONDON

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

Blithe Spirit (Vaudeville): Excellent revival of Noël Coward's smart comedy about a novelist harassed by his second wife and haunted by his first. Pinter's Old Times owes a lot to this play, well directed by Peter Farago, acted without undue Cowardian reverence by Simon Cadell, Joanna Lumley and the alabaster beautiful Jane Asher. (836 9987)

When We Are Married (Whitehall): Matchless comic playing from an all star cast in Priestley's comic warhouse about silver wedding anniversaries undermined by an inconvenient revelation. Bill Fraser is a drunken Falstaffian photographer and the couples are led by Timothy West and Prunella Scales. The 1930 theatre has been beautifully renovated. (930 7765).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

Saleroom/Susan Moore

Bed for surreal dreams

What was left of the furniture at Monkton, the mauve Lutyens retreat fantastically remodelled for the Surrealist Edward James in the thirties, was sold on Monday and Tuesday by Christie's at West Dean Park, Sussex, for £659,167. The house and a representative selection of its contents had been offered to the nation for a bargain £1.6m by the Edward James Foundation, and English Heritage hoped to take it on. However the National Heritage Memorial Fund failed to see its significance and no grant was forthcoming. One and a half days into the five-day sale, James's collection — without Monkton—has already grossed £2,454,094.

Prices were unpredictable. Three 30ft palm trees carved in wood that framed the entrance of Monkton—they were made by craftsmen James had imported from Italy—were sold for £9,180, against an estimate of £4,000-£6,000. A convex Regency mirror featuring serpents holding antique lamps was the surprise of the sale, realising four times its estimate, £48,000.

Jostling with the bizarre and flamboyant was the Regency, Empire and "bamboo" furniture James bought from Dolly Mann. Eighteen painted armchairs of Regency design, estimated at £5,000-£8,000, found a new home at £24,200, and an Italian desk mounted with classical grisaille panels, that James also took to his London house, sold for double the estimate, £45,000.

A bed painted in neo-Classical *trompe l'oeil* and designed for Tilly Losch, James's wife, at Wimpole Street realised £1,400 (his own bed took the form of Nelson's hearse). One of the more idiosyncratic lots, a sky blue and starred bed made for the Map Room at Monkton, from which the great Surrealist patron could gaze up to a back-lit and star-studded glass ceiling, was sold for £5,400.

Meanwhile, at Christie's in London a previously unrecorded series of six glass allegorical panels, engraved by Caspar Lehmann between 1605 and 1620 in Prague or Dresden, were sold for £117,720 to Heide Hubner, a German dealer. They were apparently bought in a provincial sale in the Midlands just after World War II for £50.

A sale of British paintings at Phillips yesterday totalled £539,110 with 12 per cent unsold. Front Line Ltd of America paid £33,000 for Turner's *Ladye Place, Hurley on Thames* despite its poor condition. A pair of portraits by Sir Thomas Lawrence of Edward and Hastings Impey, favourite sons of India's first chief justice, Sir Elijah Impey, came from Canada and sold well over their estimate of £30-50,000 for £209,000.

هكذا من الأصل

FINANCIAL TIMES SURVEY

Wednesday June 4 1986

EGYPT

Failure by the Government to prepare for the looming economic crisis will increase the risk to the domestic and international balancing act being undertaken by President Hosni Mubarak

Facing up to the impact of ill-fortune

By Roger Matthews, Middle East Editor

MISFORTUNE HAS dogged Egypt in the past nine months. A buffeted President Hosni Mubarak could be excused if he momentarily gave way to bouts of self-pity. Whichever way he turns events appear to have conspired against his government, prompting more pessimistic predictions for the future and rendering more obscure those silver linings which all politicians must believe accompany the darkest of storm clouds.

Yet because such a view has been written so often in different forms over the years, and because of Egypt's strong awareness of history, Cairo's Muddle-through Theory of Political Evolution is enjoying something of a revival.

It rests not on balance of payments statistics, budget deficits or the likely pattern of world demand for oil, but on such unchallengeable facts as the tolerant nature of the Egyptian people and the direction of flow of the Nile.

It admits to hiccups of political excitement, sudden shifts of diplomatic direction and the capacity to play starring roles on the world stage. But it rejects the possibility of violent upheaval and sees no parallels between Tehran in 1979 and Cairo in 1986. Somehow, Egypt has—and will always—muddle through.

However, such has been the combination of political and economic misfortune during the past months that Egyptians and western diplomats in Cairo are discussing the challenges to President Mubarak in a way that has not occurred since he took over the country's leadership following the assassination of Anwar Sadat in 1981.

After the political pyrotechnics of the Sadat era, Egypt was receptive to the calm, cautious conservatism of Mr Mubarak. He was a reassuringly unexciting man who lowered the political temperature, stressed the value of hard work and avoided easy promises of early economic gratification. But the change in style could not be matched by a change in content.

President Sadat had bequeathed him a foreign policy that rested heavily on the relationship with the US through the peace treaty with Israel, and an economic policy designed to promote the private sector as the main engine of growth.

Mr Mubarak has not sought to change those twin pillars of policy, although he has to be aware that their performance will be perceived as a reflection of his own leadership. The US can, through ill-considered or insensitive policies, make Mr Mubarak appear to his people as a weak, ineffective man, just as Egypt's entrepreneurs can, through their displays of affluence, highlight the gulf which separates them from the mass of the population.

Examples of Mr Mubarak's dilemmas have been obvious. Egypt is wedded to the US on the one hand because it receives $2.2bn a year in military and civil aid and on the other because only through the US-Israel relationship does Egypt believe that meaning can be given to the 1978 Camp David accords aimed at achieving a comprehensive solution to the Palestinian issue.

In Cairo it is admitted that inter-Arab divisions bear much blame for the failure to make progress for Palestinians, but there is also a strong private suspicion that the Reagan Administration is no longer interested in a peace process. Worse than that, the buoyant anti-Arab sentiment in Washington is beginning to be seen as stemming from official policy.

Events appear to have conspired against his government, prompting more pessimistic predictions

President Mubarak may deride his neighbour Col Gadaffi of Libya and view him as a dangerously unstable man. It is quite another thing to be asked to attack him militarily, or to applaud the US bombing of Tripoli—especially when that attack was followed by threats of similar action against other Arab leaders.

"American policy in the Middle East has become dangerously unbalanced," said a senior official in Cairo. "Its relationship with Israel has become even stronger. Yet Israel commits the most fundamental abuse of basic human rights by refusing to end its occupation of Arab lands.

"Where are the basic rights of more than 1m Palestinians? When an American citizen is killed by terrorists, it responds with military force. How did it respond when thousands of Lebanese were being killed by Israel?"

Such comments illustrate the highly equivocal nature of the Egyptian-US relationship which equally can be heard in Washington when at times of stress there is a tendency to demand more visible political rewards from its financial commitment to Egypt. The answer from Cairo is that it assists Egypt to pursue moderate, pro-Western policies which act as a bulwark against Arab radicalism and Islamic fundamentalism. It is an argument which will be heard increasingly in the months ahead as the Egyptian Government seeks not just the maintenance of aid levels but also some increase, coupled with greater flexibility in use of aid and postponement of capital and interest repayments.

The campaign has already been launched with an appeal to the seven-nation summit in Tokyo to consider setting up a $30bn Middle East development fund to assist countries worst hit by the collapse of oil prices. Egypt certainly is a victim: oil revenues worth $2.3bn in the last financial year are likely to be down at least $700m this year and could fall as much as $1.5bn in a full 12 months if there is no recovery in world prices.

Other indirect losses in Egypt's capacity to earn foreign currency could be as severe. Remittances from Egyptian workers in the Gulf are already declining.

Some bankers believe it would be prudent for the Government to anticipate a loss of at least $1bn in a full year.

Tourism, worth about $1bn a year, has also been seriously hit and revenues from the Suez Canal are below their peak because of the decline in world trade. With a debt service ratio running at about 35 per cent of current earnings, even before the full effects of the crisis have been felt, it is obvious to most students of the Egyptian economy if not to some ministers that imports will have to be more sharply reduced and a formal rescheduling made of part of the foreign debt.

Whether this is going to happen in an ordered and structured manner, or whether it will suddenly be forced upon a reluctant government is the subject of keen debate among Egypt's principal creditors and those who fear for its continued political stability.

The Cabinet is in disarray over the issue. No coherent strategy has emerged for handling the crisis, beyond staying out of the clutches of the International Monetary Fund for as long as possible. Because most of Egypt's debt is government-to-government, the favoured option is for the US to persuade other creditors that Egypt is a special case because of its key strategic position and deserving of special treatment through a series of bilateral deals.

In return, Egypt will take a series of modest budget measures to demonstrate a commitment to serious economic reform, along with a 35-page document of promises to be fulfilled over three to five years. Egypt would additionally like some pledges of additional development aid to sustain reasonable economic growth.

Western reaction to Egypt's suggestions is unlikely to be immediately favourable, not through any lack of sympathy with the country's economic plight but because governments will not be convinved of Egypt's determination to introduce genuine structural reforms of the sort that have been discussed for nearly a decade.

"When it comes to cash, Egypt is a bottomless pit," a Western diplomat said. "You can go on pouring money in for another ten years and nothing basically will have changed.

"Everyone knows the problems, everyone knows what has to be done. But they will not do it, and if they will not, why should we go on paying out?"

Imports will have to be more sharply reduced and a formal rescheduling made of part of the foreign debt

That is not an extreme or unique view among diplomats in Cairo, although when pressed they are not all so sure that their governments will stick to it if the political situation deteriorates further in the Middle East.

The reasons for the reluctance to negotiate an internationally monitored agreement in which payments are tied to performance are the same today as they were in 1978, when within months of signing an IMF standby facility it breached the terms and was unable to make further drawings.

Since the January 1977 riots in Cairo, no government has had the political confidence to take economic action which it feared could have unpleasant consequences. That fear has now become virtually institutionalised.

But so, too, have the country's problems became institutionalised. The population continues to grow at the estimated rate of about 1m every 10 months. It currently stands at about 50m, will be 55m at the end of the decade, and could reach 70m by the turn of the century.

Prime Minister Ali Lutfi recently told international businessmen in Cairo that Egypt "is consuming more than we produce, importing more than we export and is spending more than we receive." What he did not add was that the trend has been obvious for years and is accelerating.

Prime agricultural land continues to be gobbled up at an estimated 1 per cent a year by builders careless of the fact that only 4 per cent of the country's area is capable of cultivation. Close to 60 per cent of Egypt's food has to be imported yet exchange rate distortions and subsidies make bread so cheap that it is fed to chickens.

Egyptian ministers are all too familiar with this litany of Western anxieties. They smilingly accept Western failures to understand the true nature of their country and its people.

If Egyptian bureaucracy is stifling economic growth the answer is not to reform it but to build a bypass. If public sector industries cannot be made efficient and profitable, parallel industries are set up by the private sector. The theory is that the state will become involved in only those manufacturing and service industries which the private sector cannot or does not wish to undertake.

The sceptic's response is to wonder to what extent Egyptian entrepreneurs are willing to forsake the desire for quick capital gains and concentrate more on longer-term capital investment. There are some examples, especially on projects with foreign partners, but the old money still remembers the Nasserite sequestrations and the new money could be poised for a quick getaway if the going gets rougher in the months ahead.

Rioting by security police conscripts in February which led to more than 100 deaths, was for some a portent, for others a momentary explosion caused by special circumstances affecting that force. As ever in Egypt, it was probably a bit of both.

To be paid £1 a week to guard a five-star hotel and its wealthy patrons for up to 12 hours a day scarcely smacks of social justice. To be told that you will have to continue doing it for some months longer than expected could well be inflammatory.

The combination of rioting, destruction of hotels, a curfew, deployment of the army and tanks on the streets of Cairo inevitably deters all but the hardiest tourists. But the relative speed with which normality returned to the capital was reassuring—as was the fact that few civilians joined the violence.

Opinion is still divided over the possibility that smaller riots by security police outside Cairo, particularly at Assyut in Upper Egypt, had been co-ordinated. Since the Iranian revolution and the upsurge of Shi'ite militancy in Lebanon there has been a readiness to see the hand of radical Islam in any outbreak of violence directed at conservative governments, and Egypt is no exception.

There has been in the past few years a move, especially among younger people, to display religious commitment. In the universities and among some professional organisations Islamic groups have won control of representative bodies. They have also been making a partially successful effort to infiltrate legal political parties and have a voice in the National Assembly.

However, there is little evidence to suggest a well-organised infrastructure and clearly defined political aims. Government officials are watching the situation closely and claim to know the sources of the funds the groups have at their disposal. But there is no intention of taking decisive action, not least because it could be seen as contradicting President Mubarak's principal claim to political legitimacy and popular support—the maintenance and development of a degree of democracy.

No government has had the political confidence to take economic action it feared could have unpleasant consequences

Within the context of the Arab nations it is a thoroughly justified claim. The Egyptian parliamentary system is still dominated by the dead hand of the official National Democratic Party but ministers can be challenged in the National Assembly and the range of opposition newspapers allows the publication of a diversity of opinion.

"Democracy is our safety valve," a senior official said. "It is essential for the country and nothing will be allowed to disturb it. The people will not allow it."

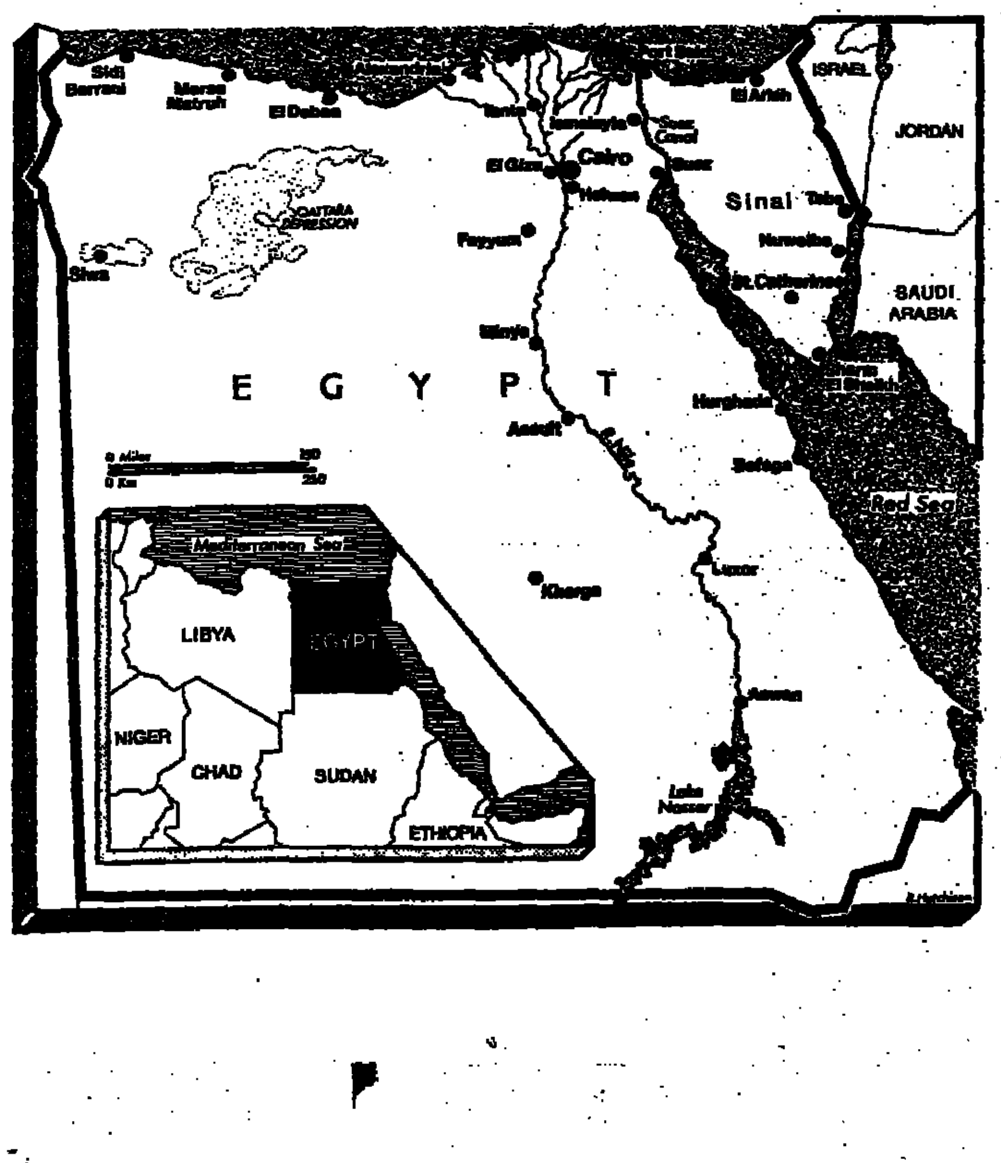
President Mubarak is thus staking out his ground for the political battles ahead. He will be represented as the man of the centre, the guarantor of political pluralism, the defender of moderation against the competing claims of the extremes, be they religious, military or ideological.

It is a stern task for a man of few natural political skills and suggests to some that Mr Mubarak is choosing even more consciously to avoid being cast in the role of the strong, dominant leader. The danger is, that he will fall between the two stools, offering the country neither firm leadership nor full participatory democracy.

To reduce that risk, Mr Mubarak urgently needs a more determined and united Cabinet with a wider range of talents and stronger powers of communication. The economic crisis which is looming later this year will be felt at all levels of society. Failure by the Government to prepare for what is ahead, both through economic measures and better informing the public, can only increase the chances of the Army appearing on the streets again.

CONTENTS

Pictures by Terry Kirk



Internal Politics

Fundamentalist tendency back on the upswing

THE RECENT shooting in Assiut of a young student after he was found putting up a poster of an extremist religious figure, has again focused attention on Egypt's nagging fundamentalist tendency that appears to move in cycles of fairly intense activity followed by periods of calm.

At present it seems that the tendency is on an upswing among both fringe religious elements and "establishment" Islamic groups such as the Moslem Brotherhood, which is pursuing a more active role in representative organisations like political parties and professional associations at a time of economic hardship and some popular disaffection.

The arrest in Aswan in April of Omar Abdel Rahman, a near-blind religious leader, after clashes between extremists and police seeking to prevent the controversial cleric addressing a Moslem rally deepened an impression of renewed Islamic agitation.

The fact that recent religious strife has been concentrated in Upper Egypt must be causing the Government some concern. It was at Assiut, 350 km south of Cairo, in the aftermath of President Anwar Sadat's assassination in October 1981, that militants sought to stage a popular uprising. They were quickly crushed.

Assiut, where the population of about 500,000 is more or less equally divided between Moslems and Copts, has, for a number of years, been a centre of Moslem agitation and one of the pressure points for the Government in a protracted game of cat and mouse with fundamentalists seeking to transform Egypt into a doctrinaire Islamic state.

A Cabinet Minister said the Government was implacably opposed to making concessions to the religious Right because "once you accept pressure it will never stop. "You shouldn't make a single concession," he added.

Gauging the strength of the religious trend has become something of a fashionable guessing game in Cairo's diplomatic salons. Opinions range from the apocalyptic to the confused, with certain Western European diplomats tending towards the former.

The simple assessment is that no one—including the Government itself—really knows the extent to which an extremist movement exists that might some day threaten the established order.

Dr Saad Ibrahim, Professor of Sociology at the American University in Cairo, says it is important to draw a distinction between the Moslem Brotherhood, which is nowadays relatively visible, and the extremists. Both groups are competing for a constituency that could drift either way depending on circumstances.

"It always depends on the Government's performance," said Dr Ibrahim. "There is a three to five-year cycle of militancy of those disposed to confront the Government. It is not an accident that after five years of Mubarak, who has not performed all that satisfactorily, they're beginning to display their defiance openly although still in a limited way.

"The challenge is increasing, but it is still containable because the Moslem Brothers control a large part of the constituency."

Dr Ibrahim gave Mr Mubarak credit for "increasing the margin of political expression" to the point where dissent is more freely expressed than at any time since the 1952 Nasser Revolution. Dissent was no longer simply the province of Moslem extremists, he said.

A pointer to the growing success of the less fanatical Moslem groups has been the sweeping victories they have achieved in recent elections at institutions such as Cairo University and in bodies like the Doctors' Syndicate, which broadly represents the medical profession.

The "establishment" religious Right, as opposed to the fanatics, has also been manoeuvring its way into a more prominent position in Egypt's political parties led by a curious collection of antique politicians whose chief virtue in some cases, it seems, is that they represent a link with the pre-Nasser era.

Sheikh Gad Al-Haq (third from left) is among Moslem leaders calling for application of Islamic laws

Under Egypt's arcane regulations governing the formation of political parties, the Moslem Brotherhood cannot, because it espouses a sectarian viewpoint, be represented in its own right in the national Parliament, the People's Assembly. So it has found a contradictory home with the traditionalist Wafd party, the main opposition group.

Other religious elements are seeking and, in one or two cases, have found haven with splinter parties such as the Liberals led by Mr Mustapha Murad. In a recent spectacularly opportunistic gesture, Mr Murad took in Sheikh Salah Abu Ismail, a passionate advocate of Islamic law in Egypt, in an attempt to broaden support for his narrowly-based party.

Mr Murad, who praised the Camp David peace accord with Israel as "very good" and the "best we can do" in an interview with the Financial Times early this year, has now renounced the peace accord apparently as a price of his linkage with the Islamic Right.

The broad Left in Egypt remains weak and divided in the formal political life of the country, but if economic conditions were to deteriorate badly then Leftist agitation could be worrying for the Government. In any case there has been increased industrial unrest, including strikes and sit-ins, in the past six months in defiance of a state of emergency imposed in 1981 after Sadat's assassination. It was recently extended for a further two years.

The opposition, whether it is the Wafdist party, an anti-socialist grouping which governed Egypt earlier this century, or the parties of the Left, expresses understandable frustration at the limits imposed on its activities.

There is a small likelihood that it could seriously challenge the ruling National Democratic Party of President Mubarak, which dominates the People's Assembly and whose officials were accused of election fraud in 1984 when the NDP won some 3m votes out of the 5m cast.

Ibrahim Shukry, leader of the Socialist Labour Party, says: "We have the shape and framework of democracy, but democracy is not only opposition newspapers and speeches by opposition politicians. It is an equal chance for all to have fair elections."

Most opposition figures gave Mr Mubarak credit for his restrained handling of and candour about riots by police conscripts in February. These caused widespread damage in tourist areas and in the Cairo suburb of Maadi, where there is a large expatriate population.

Dr Ismail Sabri Abdallah, a leading figure in the left-wing Nationalist Progressive Unionist Party, said Mr Mubarak probably received a renewed mandate after the February riots but that this new vote of confidence would dissipate if the Government failed to deal with Egypt's economic crisis. "You can buy caviar in this country but it is hard to find eggs and milk at a decent price," said Dr Abdallah.

An elusive factor in calculations about the Left is the strength of the Nasserites, whose leaders claim broad-based support and say they would quickly become a political force if they were permitted to form a party in their own right.

These claims should be regarded with scepticism in the absence of real evidence of Nasserite support, which is unlikely to be forthcoming soon. An application for permission to form a political organisation that raises the banner of the former President is still bogged down in the courts.

The most visible challenge to the Government is almost certainly conducted through the pages of the opposition press, which is among the most aggressive and unrestrained in the Arab world. The most credible opposition organ is the Wafd newspaper, which regularly makes political life uncomfortable for government members.

It has campaigned against Dr Rifaat Mahgoub, Speaker of the People's Assembly and a leading NDP politician. In recent months, Dr Mahgoub saw his brother charged with corruption, and has been accused of impropriety over a contract awarded to a French company for the building of a big hospital in Cairo.

The Wafd alleged that Dr Mahgoub received kickbacks from the successful bidders and improperly influenced the award of the contract. The newspaper campaign forced a bitter debate in the People's Assembly, which was televised early in May and gave Egyptians a rare glimpse of their squabbling politicians in action.

Dr Mahgoub was obliged to defend himself against a combined Opposition assault that may well have helped to cripple his political career.

According to many observers that is about the best the visible opposition can hope for under present circumstances in the absence of more far-reaching steps towards true democracy. The Opposition can expect to wound Government figures, but it cannot realistically hope to get rid of the established order through the ballot box.

Tony Walker

Swift rise for technocrat

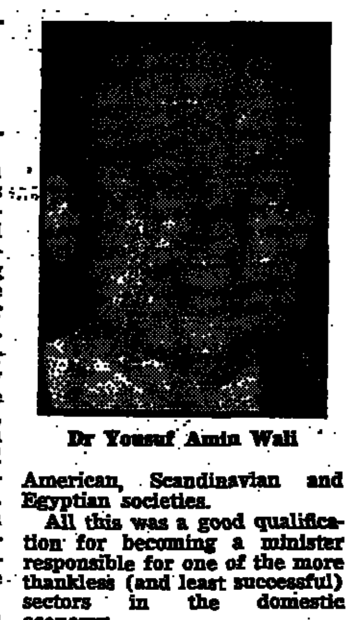
Dr Yousuf Amin Wali has moved up the ranks quickly from adviser to Deputy Prime Minister

THE RISE of Dr Yousuf Amin Wali on the political scene has been fairly recent. This 56-year-old technocrat had devoted his energies mainly to agriculture but after years of advising and counselling others, in June 1982 he became Minister for Agriculture and Food Security.

Then in September last year he was elevated to Deputy Prime Minister with the same portfolio. At the same time, recognition of his arrival on the political scene was marked when he was made secretary-general of the majority National Democratic Party. This put him in charge of the party's day-to-day business, with only President Mubarak above him in the party.

Here again his rise had been swift, as he had been admitted to the Politbureau and made assistant secretary-general only 11 months earlier.

Some 26 years earlier he had emerged from Cairo University with a doctorate on fruit farming, which has remained a lasting passion. He has since advised Libya and various arms of the Egyptian government, ranging from the Agriculture Ministry to the Army. He found time, too, to edit journals on horticulture and related matters, to travel extensively write six books and 60 articles and be an active member of



Dr Yousuf Amin Wali

American, Scandinavian and Egyptian societies.

All this was a good qualification for becoming a minister responsible for one of the more thankless (and least successful) sectors in the domestic economy.

He lives in Cairo with his brothers in a house crammed with furniture, ornaments and bric-à-brac accumulated from his travels. Some say his schedule is too full, as his ministerial and party posts are each full jobs in themselves. He works a 16-hour day but the ministry is said to show signs of neglect.

Not that this has stopped him giving vent to his favourite themes: restricting building on cultivable land; mechanisation to offset the agricultural labour shortages; greater privatisation; and Egypt's capacity to become self-sufficient in food (except wheat). It imports half its food.

Where he stands politically is harder to define. For a prominent figure there is an untypical absence of badinage and jokes at his political expense. Perhaps the most telling description given by one diplomat was of "a political chameleon, trundling steadily upwards."

The chameleon side of this firm but unaggressive man can be traced to the variety of his links: in the period of Nasser with the then banned Wafd, and also with the Moslem Brothers. These days he is on good terms with the opposition parties, even though he is attacked in their press.

He has developed a keen nose for which way the political winds are blowing, otherwise he would not be in his position today to decide some of the main topics of political debate. He is clearly ambitious—but canny.

Perhaps he might have been a better choice for Prime Minister than Dr Ali Lutfi, appointed last September. But it is suspected that he feels glad not to be landed with responsibility for possibly unpopular reforms.

The job of Prime Minister is probably the only one still open to a man of his background. But his political manoeuvring has shown his ambitions halt at the prospects of a job in which damaging lack of success looms.

Anthony McDermott

Law-and-order strong man

Field Marshal Abdel-Halim Abu Ghazala is second only to the President in power and standing

ONE SCENE sticks in the mind involving Field Marshal Abdel-Halim Abu Ghazala, Defence Minister and number two man in Egypt after President Mubarak.

At the assassination of President Sadat in October 1981, in the midst of the chaos of security men and soldiers and the rush to get VIPs to safety and the wounded away, he stood bareheaded, issuing orders, blood streaming from an injury over his left ear. It had been a narrow escape: he had been sitting beside the president.

His decisiveness and his ability to keep the armed forces loyal to Mr Mubarak was one good turn. In February this year he did his president another by using the army with tough efficiency to handle rioting by police conscripts.

There is speculation about Abu Ghazala's political intentions after having bailed the government out of a tight spot again. He is backed by the armed forces and preferred, some say, by the US.

Abu Ghazala's military career is impressive—and he is only 56.

He has fought in four wars with Israel. His specialisation has been the artillery, on which he has written 27 books and

Field Marshal Abu Ghazala

pamphlets. He trained in the Soviet Union, attending the Stalin Academy from 1958 to 1961. He moved steadily up the ranks, reaching major-general in 1974. Two years later he became defence attaché in Washington, and served there until 1979, also attending the War Academy.

His co-operation with the then Vice-President Mubarak was crucial in developing the US military aid programme, which got properly under way in 1977.

Back in Egypt, he became chief of staff and was promoted to lieutenant-general in 1980. In March of the following year, General Badawi, the Defence Minister, was killed in a helicopter accident and Abu Ghazala succeeded him. In 1982 he was elevated to Field Marshal and in September became a deputy Prime Minister.

He is a self-confident, and intelligent man, who likes to lecture people on Communist intentions in the region and to play tennis with equal vigour. He has been keen to modernise his forces with US and other weaponry in the post-Soviet era.

He has been trying to make his officers' careers more attractive by providing perks in the form of housing, clubs, cars and holiday villages. He has also tried to make the military less of an economic drain on the country through self-sufficiency in food production by military farms and through help with civil works.

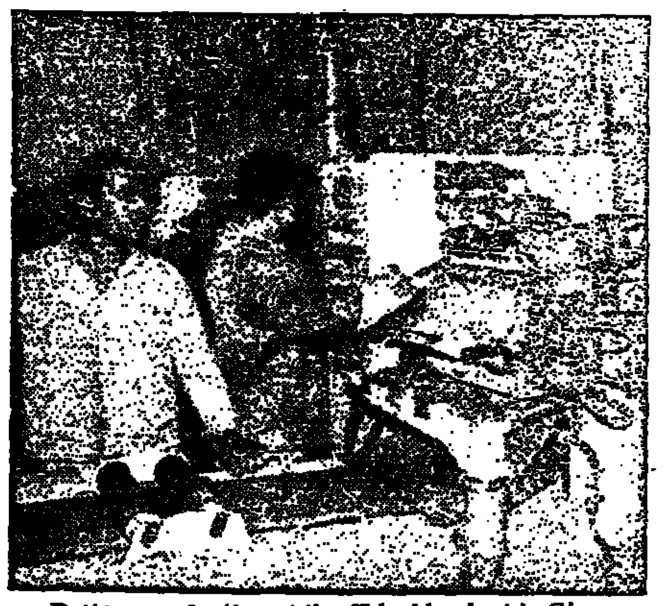
He has been known to bawl out civilian cabinet colleagues for what he sees as indecisiveness or incompetence. For a while he was in the National Democratic Party politburo.

There has been talk of his being appointed vice president, but this would involve leaving the defence ministry. And, as Mr Sadat and Mr Mubarak found, the post consists mainly of anonymous apprenticeship for the real job.

He is probably not aiming for the presidency. He instinctively prefers law and order and he and the president need each other as his actions in 1981 and in February have shown.

Anthony McDermott

EGYPT 3



Battery production at the Chloride plant in Giza, near Cairo

Car plant pioneers manufacturing drive

Officials hope the General Motors project will attract other multi-nationals into partnerships with Egypt

THE GENERAL Motors project is being advanced as the centrepiece of an Egyptian drive to attract foreign investment. Officials hope GM's confidence will be an example to others.

Prime Minister Ali Lutfi has said he is determined to improve the climate for investors in Egypt to increase exports and employment. The GM plant and associated feeder industries would demonstrate Egypt's ability to provide a manufacturing base for export.

GM's proposal, which has been approved by the Government, is subject only to some final technical discussions before a detailed agreement is signed, probably next month. Production of the 1.6-litre medium-sized Ascona and the 1.2-litre Corsa is expected to begin in the second quarter of next year.

GM submitted a bid in 1984 after a call by the Government for international tenders to build passenger cars. Other bidders included Fiat of Italy, Peugeot of France and Japan's Nissan motor company.

The selection process moved relatively quickly considering the project's complexity and importance. Some Egyptian officials argued strongly against the GM proposal on the grounds that it is too complex because it involves establishing some two dozen "feeder industries" providing components for the two-model range, which will be built at existing vehicle assembly plants.

Chairman of the selection panel was Abdel Halim Abu Ghazala, the Defence Minister, who appears to have been instrumental in overriding objections which could have delayed a decision for months or even years.

Planned investment in the project is between $700m and $1bn, making it easily the single biggest commitment by a foreign company in partnership with local investors in Egypt.

Other partners in the project include the state-owned El-Nasr Automotive Manufacturing Company (NASCO), the local Misr Iran Development Bank (MIDB) and Chase National Bank of Egypt, a joint venture between Chase Manhattan of the US and the National Bank of Egypt. Egyptian private interests are also expected to take a share. GM's equity is unlikely to exceed 30 per cent.

Finance is being arranged by MIDB, Chase National and the Export Development Bank of Egypt (EDBE). The latter was established in 1985 to give a push to exports and is assisting in the disbursement of $125m provided by the World Bank.

GM is proposing to build 50,000 cars a year (30,000 Asconas and 20,000 Corsas) by the fifth year of production. Eventually, production may total 90,000 cars a year, according to GM.

General Motors already has a $30m project in Egypt building light - to - medium sized trucks. The company plans to assemble 18,000 trucks a year by 1987. There are also plans to manufacture small buses.

GM's involvement in Egypt goes back to 1927, when the company established a branch as part of what it described as its "Near-East" division. This was responsible for the Middle East region plus Turkey and Iran.

A vehicle assembly plant in Alexandria was liquidated in 1958 at the time of President Nasser's nationalisation programme. After 1958 GM retained its links with Egypt through a dealer network.

Tony Walker

Foreign Investment

Bid for an export base

IF IT is an Oriental truism that things are often not quite what they seem, then so it is with foreign investment in Egypt. The picture is murky.

More than 10 years after President Anwar Sadat, with a typical flourish, inaugurated the so-called infitah (open door) policy in an attempt to attract foreign investment, results in the non-oil sector are at best patchy.

Investment in the key areas of industry and agriculture, as opposed to services and tourism, has been disappointing. Even in the growth sectors of banking and hotels, teething troubles continue.

Current economic difficulties are almost certainly giving potential investors cause to review their plans and some companies are deferring decisions. Mr Ahmed Shawki, a senior official in the Investment and Free Zones Authority, said that in the past year or so there had been a slowdown in investors' interest in Law 43 projects, namely those to be established under the regulations giving effect to Sadat's open door policy.

A contrary view was provided, however, by the head of the commercial section at the US Embassy in Cairo who said that 1985 had proved to be an active year for US companies investing in Egypt and that this year was likely to see further commitments, particularly as it seems almost certain that General Motors will set up a car assembly plant here supported by perhaps several dozen manufacturers of automotive components.

Mr Ted Rosen, US Commercial Counsellor, said that about 10 US companies had entered joint ventures with Egyptian concerns last year. Most of these were establishing manufacturing and assembly plants at Tenth Ramadan City, a development town near Cairo.

These companies include such household names as Johnson and Johnson and Procter and Gamble, which will join other well-known US firms like Colgate Palmolive, Xerox Corporation and the Otis Elevator Company in manufacturing for the Egyptian market.

Altogether US companies in the non-oil sector have committed some $240m of foreign investment to Egypt since 1974, which is a relatively modest sum out of total direct US investment of $1.5bn.

EEC countries, according to figures supplied by the investment authority, have invested about as much as the US in the non-oil sector. US and EEC investment combined is still substantially less than that provided by Arab (mainly Gulf) investors, who moved heavily into the tourist sector after 1974.

A survey of foreign investment in Egypt conducted by the US Embassy found that under Law 43 some 1,631 investment projects had been approved to the end of 1985, and that 1,042 were in operation.

According to the authority actual investment in these projects totalled E$6.8bn (US$8.09bn—E$ 0.84 equals US$1). Of the required paid-in capital, 35 per cent, or E$1.43bn, is local currency and E$2.7bn foreign currency.

The survey found that even though one of the aims of the open door policy has been to involve the private sector to a greater degree in Egypt's development, the public sector has contributed about one-quarter of the financing for foreign investment projects. The private sector's share has been less than one-half and foreign sources have provided about one-third.

According to the investment authority about 63 per cent of Law 43 investment are wholly Egyptian-owned. More than one-third of these Egyptian projects are in the industrial sector. Finance and construction total just under 20 per cent each.

Present economic difficulties may have a silver lining in respect of foreign investment if one of the effects is for the Government to give more encouragement to the private sector as it becomes more difficult for the often inefficient public sector enterprises to stay afloat in troubled business waters.

A recent government decree authorising private sector importers to bring in a bigger quantity and range of foodstuffs was a pointer in this direction.

Another factor that may be working in favour of a greater push for foreign investment is the fact that Egypt, in the face of a squeeze on its hard-currency revenues, will be forced to restrain imports.

Foreign companies who regard Egypt as an important medium-sized market may well be persuaded to establish enterprises with Egyptian joint-venture partners to ensure that they protect their own market share.

It is noteworthy that most foreign companies entering into such joint ventures are doing so purely with the Egyptian market in mind. Most of these enterprises are in the business of import substitution.

The General Motors plan to assemble cars in Egypt, while it too is essentially an import substitution scheme, also carries with it the potential of significant component exports from supplying industries attaching themselves to the main project.

This is an important test of Egypt's ability to develop an export base. "Egypt has yet to prove itself as a country from which to export," said a keen observer of the local investment scene.

Mr Atef Ebeid, Minister of Administrative Affairs, said, in a recent interview that Egypt was doing its best to streamline procedures for foreign investors; but he recognised there were some impediments, including uncertainties over the exchange rate and inflationary pressures.

Egypt was just as interested in licensing arrangements and offset deals as in actual foreign investment, the Minister said. He regarded the GM proposal as an excellent project for Egypt because it involved upgrading an existing plant and carried with it an export potential.

In its plans to attract foreign investment, Egypt is placing strong emphasis on tourism, which, it believes, is seriously under-exploited. Mr Fuad Sultan, Minister of Tourism, said that a recent change to regulations governing investment in tourist development in the Sinai was a sign of the government's determination to facilitate increased foreign involvement in the sector.

Foreign investors can now take up to a 49 per cent share in Sinai projects, whereas before they were excluded.

Mr Sultan, who was one of Cairo's leading investment bankers before his appointment last September, has been talking to a number of Western hotel chains in an attempt to involve them in schemes to improve the facilities and management of some of the great historic hotels such as the Winter Palace at Luxor and the Cataracts at Aswan.

Tony Walker

Foreign Policy

Anxieties over peace pact

"Egypt's future in this part of the world lies in a comprehensive settlement of the Arab-Israeli conflict as well as peace and security in the area. Egypt's prestige and prosperity can only be fully realised in an Arab world in which solidarity and co-operation prevail. The Arab world has great potential and constitutes Egypt's espace vitale.

"If, on the other hand, Egypt were to drift into a separate solution [to the Arab-Israeli conflict] it would end by succumbing to inescapable moral, spiritual and material decay. It would become one of those countries which are faceless, of no relevance or consequence.

"It would become a cog in the giant United States wheel, which would exploit and manipulate it in accordance with its own desires. Egypt was not cast for such a role."

THE WORDS are those of Mohammed Ibrahim Kamel, the Egyptian Foreign Minister who resigned in 1978 over the terms of the Camp David agreements reached by Israel, the US and Egypt and are taken from his recently published book The Camp David Accords.

Mr Kamel was the only member of the Egyptian negotiating team to have resigned at that time, but he is far from being alone in his anxieties about the impact the peace treaty with Israel is having on his country's ability to pursue an effective and independent foreign policy.

Dr Esmat Abdel Meguid, Egypt's present Foreign Minister, may share some of those anxieties but would not, of course, agree with Mr Kamel's assessment of the consequences of a separate peace with Israel. He is adamant that Egypt has no alternative but to continue the course charted in 1978.

"We know the difficulties but we have to persevere with the peace process, even if the chances of success sometimes appear very slim," he said during an interview in Cairo. "The alternative is total collapse, and no-one has any interest in that."

The threat of collapse came closer in February when a disillusioned King Hussein of Jordan announced that he could no longer work with the leadership of the Palestine Liberation Organisation in attempting to forge a common position on a negotiated solution to the West Bank and Gaza, occupied by Israel since the 1967 war.

The breakdown was a serious blow to Egypt's aspirations, but Dr Meguid can still find grounds for optimism. He describes the initial decision by the PLO and Jordan to try to work together as a breakthrough which is capable of resurrection.

"We are not losing hope because there are elements which could bridge the gap between them," he says.

Mr Yasser Arafat, the PLO chairman, enjoyed strong popular support on the West Bank and Gaza, and Egypt believed that he was ready to engage in peace negotiations "if the conditions were such that he can convince his people." Dr Meguid says Mr Arafat had to be given a fair chance, and offers to him had stopped short of admitting the right of self-determination for the Palestinian people.

The Egyptian Foreign Minister cited other reasons for optimism. He considered that Mr Shimon Peres, Israel's Prime Minister, had shown some flexibility on an international peace conference; King Hussein remained committed to a negotiated settlement; and the US "was still interested in the peace process."

Elsewhere in the Middle East, Dr Meguid admits to a "bleak situation," the antidote to which lies, he believes, in the hands of the Arab leaders. Refusal by the majority of Arab states to resume formal diplomatic links with Egypt must be a disappointment to Cairo but Dr Meguid asserts that his government has its pride and will not run after anyone.

On the contrary, he argues that Egypt's stand has been vindicated and points to various calls for Egypt's full integration into the Arab world.

Vindication or not, Egypt has found itself frustratingly incapable of influencing events in which, prior to 1977, it would have played a central role. Worse than that, it has all too often found itself a largely passive spectator of events instigated by countries with whom it does have diplomatic relations.

It is not easy to find in Cairo a senior official who has been encouraged by the evolution of US policy in the Middle East during the past year. On the contrary, there are an increasing number who question the wisdom of such close relations and are even challenging the assumption that Washington's annual $2.2bn aid commitment is vital to the nation's economic survival.

Such thoughts were fuelled by the interception by US fighters of an Egyptair aircraft in the wake of the Achille Lauro hijacking last autumn and then by the US bombing raid on Libya in April. The two military actions helped persuade some Egyptians that the Reagan Administration was indifferent to the sensitivities of even its Arab friends and had embarked on a policy of confrontation in the region which was certain to play into the hands of the most radical governments.

In short, it was a policy which could only damage the credibility of the Egyptian Government at home and internationally.

The parallel fear in some parts of the Egyptian Administration is the extent to which Israel may seek to take advantage of the new American assertiveness and the anti-Arab mood in Washington, particularly after Mr Peres hands over to the more hawkish Yitzhak Shamir in the autumn.

Officially, Egypt is pleased Israel has finally agreed to arbitration over the tiny disputed strip of land at Taba which at least will provide a lot of employment for the legal minds at the Foreign Ministry. Privately, it is deeply concerned that those in Israel advocating a pre-emptive military strike against Syria will carry the day.

Even closer to home, Egypt is watching with concern the political developments in Sudan, the reaction to events there by the US and the attempt by Libya to strengthen its position in Khartoum. Dr Meguid says he has "good expectations" of Sudan after the elections and believes that increased democracy augurs well for the stability of the nation.

Sudan would be one of the beneficiaries of the idea floated by Egypt for the world's leading industrialised nations to establish a $30bn development fund for the Middle East designed to compensate nations worst hit by the collapse in world oil prices.

"Egypt and other countries have lost a lot in the past months," Dr Meguid says. "Our loss is their gain and it is only fair that some scheme for co-operation and assistance should be created."

However, as with other aspects of Egypt's international relations today, it is just a hope and scarcely a satisfactory substitute for a nation which for three decades has been more accustomed to making history than observing it.

Roger Matthews

Banking

Recession brings out a rash of bad debts

The Central Bank of Egypt's neo-colonial style headquarters in the heart of Cairo's central business district

A WESTERN visitor to the Central Bank of Egypt's handsome neo-colonial style headquarters on Kasr El-Nil Street in the heart of Cairo's business district noticed one of the bank officials reading a text on re-scheduling. This was almost certainly prudent practice, considering Egypt's balance of payments squeeze, which is being felt throughout the economy.

The banking sector is experiencing its most difficult year in more than a decade and, except for a select few financial institutions, things are likely to get worse before they get better.

A deepening recession has brought a rash of bad debts that has sharply curtailed profitability. Typical of the difficulties of even the best-managed institutions is one large joint-venture bank which has been obliged to spread its bad debt provisions over several years.

Central Bank officials are reticent about the overall health of the sector, saying merely that circumstances are not much different from those of a year ago.

But it would be surprising if some second and third-tier banks are not having serious liquidity problems caused by the squeeze on domestic credit in line with the Government's attempts to restrain growth in the money supply, foreign exchange shortages, sharp fluctuations in the currency markets and the generally negative business environment.

Mr Ali Negm, the hard-pressed Governor of the Central Bank, which had its regulatory authority strengthened in 1984, said assistance is being given to some financial institutions in difficulties. The authorities would be reluctant to allow any banking failures at the best of times, let alone in present circumstances with the country teetering on the edge of a financial crisis.

Egypt's four large public-sector commercial banks, which dominate the local scene, have had their share of problems adjusting to the more difficult environment. Bank of Alexandria, for example, experienced delays meeting commitments to several Western creditor banks because of problems in securing foreign exchange.

Bankers look back nostalgically to the boom years of the late 1970s and early 1980s when abundant supplies of cash from oil sales and expatriate workers' remittances helped fuel an import boom and currency markets were relatively stable. Asset growth and profitability both surged in those years.

The post-1974 period, following the late President Anwar Sadat's "open door" policy to foreign trade and investment, saw the rapid development of what had been a moribund banking sector to the point now where there are 64 deposit money banks that are classed into 27 commercial banks, 33 business and investment banks and four specialised banks.

Business and investment banks can be further subdivided into "joint ventures" and 22 foreign currency branches. There are also some 29 representative offices of foreign banks in Egypt.

The rapid expansion of the banking sector brought some teething problems, culminating in the "Jammal Trust affair" of 1984, when the Lebanese-owned Jammal Trust bank refused to honour, on the grounds they were fraudulent, Cheques totalling some $20m to several local banks forced the near-collapse of one of them—Pyramids Bank.

After court action, Jammal Trust made arrangements to cover the amounts owed. That episode was partly responsible for a significant tightening of Central Bank controls over the banking sector. It is also likely to have reinforced a Government decision to place an effective freeze on new banks in Egypt.

Several foreign currency branches, including Crédit Suisse, Middle East Bank and the National Bank of Abu Dhabi had been seeking to convert their operations to joint ventures to allow them to deal in local currency, but progress is proving slow.

Regulations imposed several years ago, restricting bank lending to 65 per cent of deposits and also the requirement that lending to any one private-sector borrower be limited to 25 per cent of a bank's capital and reserves, took some of the steam out of the overheated banking system before the financial crunch of the past 12 months.

The International Monetary Fund in its July 1985 report on the Egyptian economy noted that a number of factors had curtailed banking activity so that banks were lending well below their loan-to-deposit ratios. This was partly due to the fact that the interest rate structure discouraged lending, especially to industry and agriculture as opposed to trade financing.

New loans from commercial banks to the industrial and agricultural sectors fell 13 per cent from E£540m in 1981-82 to E£468m in 1983-84, with a further decrease of 12 per cent in the first half of 1984-85 compared with the corresponding period of 1983-84, the IMF reported.

"Moreover, banks, especially the public sector banks, have become more cautious in lending to business, particularly private business, due to poor performance of past loans. On the part of borrowers, difficulties in servicing loans (which have made banks more cautious in lending) have also made them more reticent to undertake new projects financed with credit."

"High leveraging of undertakings in the past have left them with high fixed costs and a cautious attitude to new borrowing. The shortage of foreign exchange in the public sector and the higher cost of foreign exchange to both public and private sectors have led to delays or cancellations of some projects, thereby reducing demand for credit in Egyptian pounds to finance the domestic component of these projects."

"Finally," the IMF concludes, "the general economic atmosphere has led private business to be more cautious in undertaking activities and borrowing."

This coincides with Government attempts to restrain money supply growth. The Central Bank's annual report for 1984-85 noted that the growth in the money supply fell to 15.3 per cent for the year in accordance with a policy of matching monetary expansion with real GDP growth.

The first quarter of the year was marked by a further sharp depreciation against foreign currencies, reflecting shortages of supply and speculative pressures. There were strong rumours that the Government itself was a buyer of dollars when the value of the Egyptian pound in March depreciated suddenly to around E£2.04 to the US dollar.

Now the prospects are for further instability in the currency markets in the face of Egypt's diminishing sources of hard currency from oil sales, workers' remittances, Suez Canal dues and tourism.

Foreign currency branches, which are prevented from dealing in Egyptian pounds, are having a particularly difficult time. In most cases business has shrunk substantially as these banks, which include Lloyds, Citibank and Bank of America, have faced increasing problems finding acceptable credit risks.

The principal problem has been that most potential private sector borrowers generate income in local currency and are not in a position to pay the premium required to secure foreign exchange in the open market to settle hard currency debts.

Foreign currency branches have sought a change to their status in Egypt which would allow them to deal in local currency, but this request appears to have made little progress with the authorities.

Mr Raymond Seamer, manager of Lloyds International, says of the present difficult times: "We're all having to adopt a wait-and-see attitude and adapt our business to meet the situation. We hope we can generate sufficient revenue to keep us in business in this country for when things get better.

"I believe this crisis may be quite good for Egypt if it is forced to reduce dependence on imported foods and seek new sources of revenue."

Most foreign branches have slimmed down, because of the depressed environment. Lloyds, for example, has cut its staff by about 10 per cent. Several representative offices of foreign banks—Midland of the UK and the Royal Bank of Canada—have closed or are closing down because of diminished opportunities. Chase Manhattan, a partner with the National Bank of Egypt in a joint venture, is seeking to divest.

But not all foreign bankers are pessimistic. Cairo Barclay's, a joint venture with Banque du Caire, while its pre-tax profits were down last year largely because of bad debt provisions is now hiring new staff in preparation for better times ahead.

"We are not divesting," said Mr Jablonovsky, head of Cairo Barclays. "We think there are severe problems, but we're managing our way out of them."

Tony Walker

Oil Sector

Hopes rest on realistic pricing

THE OIL sector, which in more ways than one fuels the economy, has been experiencing, as a result of plummeting oil prices, an exceptionally difficult if not disastrous year.

A decade ago Egypt became a net exporter of oil. A decade hence, unless certain measures are taken, it could become a net importer. Factors causing the fall in prices have not been entirely in Egypt's hands. Even so, it has been dramatic.

Early in 1981 the highest price for the benchmark Suez blend was $40.50 a barrel. At the beginning of this year it was down to $25.70 and from mid-March $13.25. It is small wonder that President Mubarak has said that the cost to Egypt in 1985-86 would be $700m and in 1986-87 likely to amount to $1.2bn.

The Prime Minister, Dr Ali Lutfi, addressing a business conference in Cairo at the end of April, said the budget deficit for 1986-87 could almost treble if the present oil slump continued.

In the short term the Egyptian General Petroleum Corporation (EGPC), which manages the exploration, production and pricing of the oil industry, appears untypically to have mishandled the situation by consistently setting Egyptian prices around $2 a barrel higher than world prices.

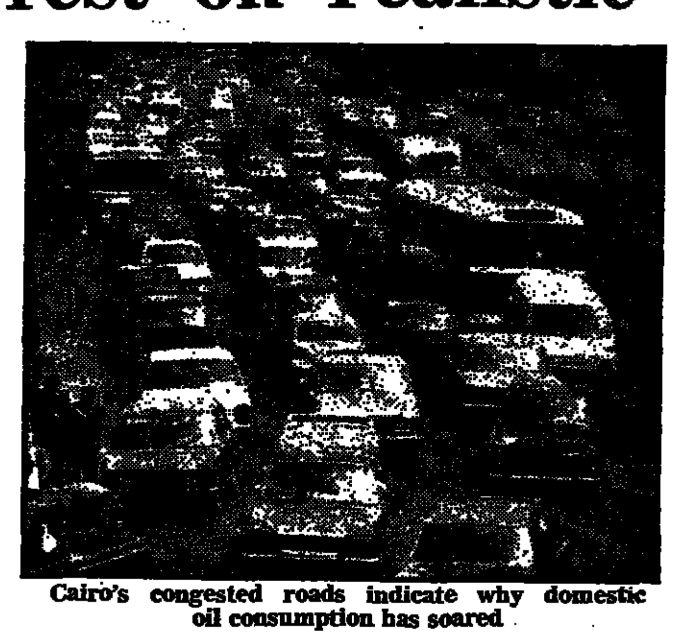
This has made it extremely difficult to export any crude since January 1 this year.

In the longer term, however, the picture need not look as dire, especially when oil prices eventually pick up again. This depends on the government, through the Petroleum Ministry and EGPC, being prepared to take measures to price domestic fuel more realistically and also on a deeper commitment to encourage the exploitation of gas.

The special structure of Egyptian oil production, pricing and consumption, makes it peculiarly vulnerable to bad times. A long-standing aim — more political than practical — has been 1m barrels a day. This was actually achieved, including gas, on November 18, 1984, but it was not sustained.

Over the decade, oil production has risen rapidly, and averaged over 870,000 b/d in 1984-85 (fiscal year). During the October-December 1985 period it rose 900,000 b/d and looked set for the 1m mark this year.

Of the 1984-85 output, local consumption, which has been rising in recent years at the alarming rate of between 12 and 15 per cent (it has tailed off this year) accounts for 450,000 b/d. Of the remainder, about 110,000 b/d goes to foreign companies as cost recovery and equity share, and the rest (over 300,000 b/d) to Egypt for export.



Cairo's congested roads indicate why domestic oil consumption has soared

As a result, export earnings from oil, which provided less than 5 per cent of the gross domestic product in the early 1970s and nearly 15 per cent today, have brought in successively $2.6bn (1981-82), $2.18bn (1982-8), $2.4bn (1983-84), and $2.14bn in 1984-85 (plus another $628m in bunkering and product sales).

The Egyptian Government appears to have been misled by the triumphs of production and exports during the last six months of 1985. This brought in $1.9bn, and, according to Al-Bitrul, EGPC's monthly publication, earnings in the calendar 1985 totalled $2.6bn (up 12.4 per cent on the previous year) from the trade in oil.

It may also have been distracted by Mr Abel-Hadi Kandil having (exceptionally because the two posts have usually been separate) to divide his time between being both Petroleum Minister and the head of EGPC.

But the pricing policy, together with a decision in February to cut back production by 200,000 b/d, almost all of it from exports, drastically reduced earnings. Thus, at best, between January and April this year exports averaged 10 per cent of normal levels.

This has affected even the arrangements under the terms of the peace treaty with Israel whereby it receives 40,000 b/d at prices slightly lower than those of the market.

The situation has also disgruntled some of the foreign oil companies, which have had difficulties in disposing of their share of crude. So far, however, none of the established companies have done more than reduce the size of staffs — this has applied particularly to the service companies — and review their development and exploration plans.

But the outlook is not entirely gloomy. Reserves are estimated at around 5bn barrels and there are still hopes of further finds in the Gulf of Suez, which produces two-fifths of Egypt's oil, and elsewhere.

Indeed, during the past six months two encouraging new finds have been announced: in a relatively new area in Egyptian waters of north Sinai, adjacent to Israel: and in the Western Desert, where exploration had been conducted since the mid-1950s on the northern edge of the Qattara Depression.

The issue now confronting the Government is how to eke out the hydrocarbons reserves most efficiently within the framework of an overall long-term energy strategy. The World Bank has laid great emphasis on the need to evolve for domestic fuels a more realistic system of prices. These "have now reached extraordinary low levels . . . fuel oil and natural gas are only 5 per cent of their border or opportunity costs; most other products are only 15 per cent or less of international prices."

But above all it stresses that natural gas "has considerable underveloped potential and the speed of its utilisation will be a major determinant of the overall value to the economy of use of Egypt's energy resources."

Development of this sector has hitherto been slow, not least because of the inability to produce a gas clause in oil contracts with foreign companies sufficiently enticing to encourage gas production. In addition, a ceiling of national reserves of 12 trillion (million million) cubic feet (cf) has been set before gas exports can be allowed. A gas clause has now been drawn up, but it is still regarded by foreign companies as not being unsatisfactory in its gas pricing terms.

Gas reserves are now estimated at 5.5 trillion cf and are expected to increase substantially in the next ten years. Output of natural and related gas comes from three main areas: Abu Madi and Abu Kir in and around the Delta, providing fuel for the Alexandria hinterland; Abu Gharadiq in the Western Desert; which supplies industry in Helwan and Ras Shuqair on the west coast of the Gulf of Suez.

Consumption has been rising from minuscule productions in 1975 to almost all the 385m cf/d in 1985 (which was, according to Al-Bitrul, a rise of 23 per cent on the previous year alone). This was largely because output at the Abu Madi field was doubled to 240m cf/d. This year there are plans to double output at the Abu Kir field and at Ras Shuqair — to 250m cf/d and 140m cf/d respectively.

A prime target is to persuade industry, which consumes two-thirds of fuel oil, to use natural gas. An indication of the savings that could be made can be deduced from the fact that output of gas last year was worth over $400m, and this could rise to over $2bn by 1986-1987. In the current development plan there are no fewer than nine gas projects, ranging from exploration, field development and pipelines to domestic supply.

These will take time to put into action — and cost money. But they are crucial in relation to the prospects for the future role of oil. As the World Bank concludes: "the success of the gas program is critical to Egypt's macro-economic objectives."

In its absence and that of energy saving plans, it has been calculated, on the assumption of a production peak of 1m b/d in 1990, that Egypt's oil exports — under normal circumstances — would have already reached their maximum.

But if a full gas programme were enacted that export peak could be postponed until 1990 or 1991.

Anthony McDermott

The Economy

Shortage of hard currency becomes acute

THE STATE of Egypt's economy is hardly a joking matter, but when Sultan Abu Ali, the Economy Minister, said recently that he had no explanation for sudden fluctuations in the currency markets a columnist in the semi-official Al Akhbar newspaper commented acidly that it was perhaps time to consult the Minister of Health.

The national capacity for piquant observation is likely to be put increasingly to the test in the months ahead as the hard currency shortage becomes more pressing. The full impact has yet to be felt of the oil price slide and the fact that very little oil for export has been lifted in the first five months of this year.

Egypt will face a time of reckoning either late this year or early next year when its available sources of foreign exchange are almost certain to fall well short of its commitments.

Discussion among the country's western creditors has tended recently to focus on what procedures will be followed for the rescheduling of the large foreign debt which, according to a recent International Monetary Fund report, reached $32.5bn this financial year.

Gloomy forecasters among the Western banking community have suggested that Egypt will encounter a cash crisis some time early in the second half of the year. But this may well be unnecessarily pessimistic. Egypt will finish this financial year in much the same position as last year, with a current account deficit of around $3bn.

Surprisingly robust oil sales in the first half of fiscal 1985-86 (sales totalled about $1.5bn) helped to improve an otherwise relatively bleak picture on the revenue side.

Tourism also held up better than expected last year in spite of the negative effects of Middle East-related violence. Workers' remittances, as far as can be judged because most of these funds enter Egypt through unofficial channels, continued to flow through at a reasonable, albeit reduced, rate.

Public sector imports, which account for some 75 per cent of the total, were down by about 20 per cent in the first half of 1985-86, according to unofficial estimates. This reduction has undoubtedly helped Egypt to stagger through to the end of the financial year without serious mishap.

Imports of capital goods appear to have been halved in the first six months of the financial year. The inflow of intermediate goods has also been significantly reduced, reflecting in part the severe difficulties public sector companies have encountered in securing foreign exchange at the official central bank rate of E£0.83 to the US$ or even at the tourist rate of E£1.35.

Private sector imports appear to be up 20-30 per cent in the first half of the fiscal year despite a hefty depreciation of the Egyptian £. An explanation may be that private sector importers have been stocking up in anticipation of a further devaluation of the pound and in preparation for a new import regime that is expected by July 1 and designed to curtail sharply the import of luxury goods.

Egypt's foreign exchange reserves total about $1bn, according to Mr Ali Negm, Governor of the Central Bank. The level of these reserves, sufficient to cover about 45 days of strategic imports, is much the same as last year.

Predictions about Egypt's financing gap in fiscal year 1986-87 range between a conservative $1.5bn, considered manageable with a little help from its Western creditors, and an alarmist $4bn to $5bn.

The latter prediction is based on an expectation that oil prices will remain depressed and that Egypt will hold to the rather curious policy, given its precarious financial position, of limiting production and setting its price above that of the market.

President Mubarak has forecast a shortfall in oil revenues of $700m this financial year and $1,200m in a full year. At the rate of liftings for export in the first quarter of this year, those gloomy predictions may prove optimistic.

The oil price slump is causing difficulties in the framing of the 1986-87 budget. Prime Minister Lutfi told a business conference in Cairo in April that the net deficit after foreign and domestic borrowing, could rise to E£2,500m ($3bn) compared with E£900m (1.08bn) in 1985-86.

A draft budget approved by Cabinet in April provides for spending totalling E£20.2bn ($24.2bn) in 1986-87, marginally up on this fiscal year. The Government has announced a range of modest cost-cutting and revenue-raising measures such as taxes on foreign travel, but it is unlikely the deficit can be restrained in the absence of a more vigorous austerity campaign.

Government Ministers continue to promise economic reforms, but despite much talk these have not yet materialised. The Cabinet appears divided over the extent to which fundamental structural reforms of the pricing system should be effected.

Argument continues over the possible costs, in terms of social stability, of raising prices and reducing subsidies. The Government is also moving sluggishly on pricing reforms in the agricultural sector. The official procurement price for cotton was raised recently, but prices remain depressed.

There is no sign that the food gap is being narrowed. The population increase is running at about 2.7 per cent a year, or an additional 1m people every nine months, against annual increases in food production of about 2 per cent.

The overall economic growth rate remains something of a guessing game. According to the Central Bank's annual report, economic growth was 6.9 per cent in 1984-85, below the Government target of 7.3 per cent.

Estimates contained in a recent World Bank study suggest that official Egyptian figures overstate gross domestic product (GDP) growth. The World Bank reckons that GDP growth was closer to 6 per cent compared with the target of 8.5 per cent in the first several years of the Government's 1982-1983 to 1986-87 five-year plan.

Furthermore, the World Bank estimated that real investment grew by 2.9 per cent annually during the first two years of the plan, well below the 10.5 per cent target. The five-year plan had, in fact, anticipated a virtual doubling of rates of domestic saving and a continuation of the high growth rates of investment.

The World Bank says that since 1974 (the year of the "open door" policy instituted by the late President Anwar Sadat to encourage foreign investment) financial returns on a rapidly growing investment programme were "extremely low due to rigid low prices and inefficiencies."

"Consequently, a large gap between public savings and investment persisted over the past decade requiring large external financing, absorption of private domestic saving and inflationary bank financing," the report said.

The World Bank warned that Egypt, because of the deteriorating external economic environment (oil revenues and other sources of foreign exchange are being squeezed) will have to make better use of "existing productive assets in the public sector if it is to maintain reasonable rates of growth."

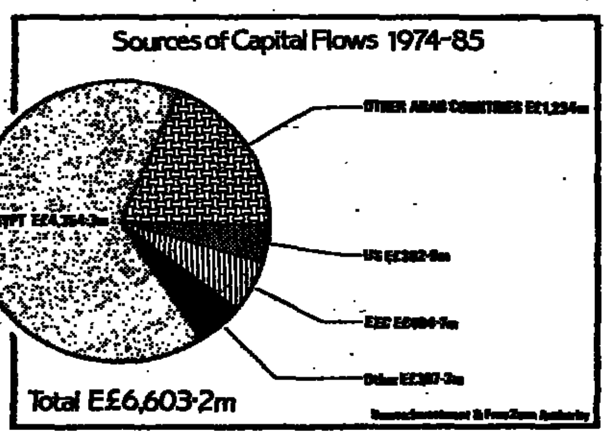
Yet some observers of the economy see, through the gloom, some positive signs. There is a chance, they say, that the crisis may force the government into better housekeeping and may even result in some useful reforms.

It may also, in a perverse way, ultimately improve conditions for the private sector, which plays a relatively minor role in the heavily socialised national economy.

As one observer said: "In many ways it is better for them to have problems than not. The only thing likely to force the Government to make reforms is if they have no choice."

Tony Walker

A tanker passing through the Suez Canal, a major source of income as well as a focus for world trade



Balance of payments

	1981-82	1982-83	1983-84	1984-85
Exports	4,400	3,800	4,200	3,900
Crude petroleum	2,600	2,182	2,396	2,142
Imports	9,900	9,950	11,500	11,650
Trade deficit	5,500	6,150	7,300	7,750
Services, transfers (net)	4,150	5,300	4,800	4,800
Suez Canal	909	957	974	897
Tourism	800	800	850	1,000
Remittances	3,300	3,950	4,000	3,750
Current account deficit	1,350	850	2,500	2,950

Source: Central Bank of Egypt, IMF, Ministries of Economy and Finance, US Embassy.

External Debt

Reforms demanded for IMF backing

AS SPECULATION increases about the likelihood of Egypt being forced into rescheduling so does attention focus on the actual structure of its external debt.

According to the Government, the International Monetary Fund and independent sources, the total civilian external debt disbursed and outstanding is in the order of $26bn. In addition, the military debt, mainly to the US, France and Spain, is about $8bn.

Foreign indebtedness, excluding a large military debt to the Soviet Union of more than $3bn, payments on which were suspended in 1977, comes to about $34bn, a little higher than the figure of $32.5bn produced by the IMF in its July 1985 report, which helped to focus attention on Egypt's looming debt service problem.

According to the IMF, Egypt's public and publicly-guaranteed medium and long-term debt stood at $16.5bn at the end of June 1984. Short-term foreign liabilities of the banking system totalled $6.6bn.

The IMF stated that "no reliable information is available on private non-guaranteed medium and long-term debt." According to the best estimates available, such liabilities amount to at the most $1bn.

Short-term commercial credit (original maturation one year or less) is thought to have reached about $4bn. A big component of Egypt's medium to long-term external debt is foreign aid totalling some $10bn.

The IMF reported that debt to multilateral institutions rose at an annual rate of 7 per cent in recent years to $4.5bn at mid-1984. Most of the increase was accounted for by World Bank loans.

The largest creditor among multilateral institutions is the Gulf Organisation for the Development of Egypt (Gode), which provided Egypt initially with some $1.7bn after the food riots of 1977 alarmed surrounding Arab states about Egyptian internal stability.

The Gode loans, which Central Bank governor Ali Negm describes as a "revolving credit," permitted the elimination of debt-service arrears which had risen to about $1bn by April 1977.

Interest payments on these loans, the IMF reports, are capitalised along with the principal which is rolled over, bringing the outstanding principal close to $2.5bn as of mid-1984.

Cairo has been consulting in a desultory way with the IMF about a standby facility to help to cover its balance of payments deficit. Amounts ranging between $1bn and $1.5bn are sought over the next few years.

The IMF has made it clear that it expects evidence of significant exchange rate and pricing reforms before it is prepared to provide a standby facility. IMF officials are saying privately that Egypt has yet to demonstrate such a commitment.

A senior official in Cairo said approaches were being made to Egypt's main Western creditors in an effort to reach an accommodation on some form of rescheduling. The US, which is owed about $4.5bn in military debt, is under pressure to assist Egypt over its immediate problems either by increasing the cash component of its civil aid appropriation or by offering interest rate relief.

Various large Western creditors, including France and Spain, have made it clear that they will not countenance bilateral rescheduling. But the main creditors would not be averse to a comprehensive and orderly arrangement.

There are contradictory opinions among Western bankers and officials as to whether Egypt will be forced to go to the Paris Club in the face of an unmanageable debt service position.

One Western banker said a rescheduling would be relatively simple because much of Egypt's debt is Government-backed. Unlike the situation in South America, only a small component of Egypt's debt is to Western commercial banks.

"You add the numbers and no matter what way you look at it there is no choice but to reschedule," he said.

Tony Walker

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Wednesday June 4 1986

Mexico and its creditors

WHATEVER the outcome of the World Cup in Mexico international bankers will be much more interested in events outside the Azteca stadium. For the Mexican debt problem is moving steadily towards another of its periodic flashpoints.

While the football may temporarily distract the attention of the Mexican public, international policymakers and bankers will be painfully aware that the stalemate over Mexico's problems could threaten to undermine the whole of Latin America's orderly emergence from the debt crisis.

The Mexican debt crisis has not gone into a period of apparent quiescence because the country's problems are anywhere near to resolution. Rather it is because the problems are looking more insuperable than ever and there seem to be no ideas on either side of the bargaining table about how to proceed.

The Mexican government must take the primary blame for the present paralysis on debt, which threatens to throw the country's domestic economy back in depression. Since the collapse of oil prices earlier this year, Mexico has come up with a series of inconsistent and unrealistic estimates of its short-term demands for credit.

These figures, which ranged within two months from $4.1bn up to $9bn and then back again to $4.5bn, have distracted attention from the fundamental issues on which relations between the country and its creditors will ultimately stand or founder.

Broad objectives

As in every other Third World debtor country, these issues can be boiled down to two broad objectives: laying a plan for efficient and responsible economic management; and making arrangements with external creditors to ensure that the foreign resources are available to put these plans into effect. A statement like this may seem a mere truism, but it is a truism which contains several important clues to Mexico's present plight.

Superficially, the biggest obstacle at present to an agreement between Mexico and its creditors is the government's inability to agree a target for this year's budget deficit with the International Monetary Fund. In reality, however, the deadlock with the IMF is as much a symptom as a cause of the present policy paralysis. If the Mexican government had a coherent plan for its domestic economic management and if it had managed to establish any track record of success, the disagreement with the IMF would be of small account.

The IMF's demand for a budget deficit no greater than 5 per cent of Gross National Product is widely regarded as excessively deflationary and unrealistic even in the international banking community. Even if this were genuinely the IMF's ultimate negotiating target, it is one which Mexico could readily hope to modify if it could persuade the Reagan Administration or the international banks that it had a viable alternative approach.

Greater leeway

The trouble is that no such alternative has been put forward by the Mexican government. Mexico's appeals for a longer and more politically realistic time-scale for adjustment are likely to remain unanswered unless the Government gives clearer evidence that any greater leeway which it may win will be put to some constructive use.

Suppose, however, that such evidence existed. Attention would then shift rapidly to the second leg of strategy on Third World debt. In any conceivable resolution of the Mexican economic crisis, external creditors will have to come up with substantial new resources.

If Mexico could come up with a plausible set of domestic policies, it would be impossible for banks to shirk their responsibility for providing further funds. If necessary, it would be in everybody's interests, including those of bank shareholders, for western governments to apply pressure to their bankers to lend more generously in support of a viable Mexican recovery programme.

This is the core assumption of the Baker Plan for dealing with the debt problem and it embodies a commitment which western governments and bankers should perhaps make clearer in their dealings with the Mexicans and the other debtors of the Third World.

At present, however, the primary responsibility lies with the Mexican government to come up with an economic strategy which the rest of the world can be asked to support.

Cold water on privatisation

OFFICIALS are busy drafting legislation, to be presented to parliament in the autumn, which will turn Britain's regional water authorities into public limited companies and, it is hoped, pave the way for privatisation. Earlier this year, the Government seemed confident that it would be able to sell Thames Water and perhaps one or two of the other more profitable authorities before the next general election; indeed the Treasury's projections for privatisation receipts partly rest on this assumption. The feasibility—and desirability—of these plans is now beginning to look doubtful.

So far as feasibility is concerned, the main difficulty is political. A controversial privatisation has never been attempted close to an election—BT's sale came little more than a year after the Thatcher Government's triumphant re-election in 1983. As an election draws closer, investors have to consider not just threats of re-nationalisation but the possibility that regulatory regimes could be altered by a new government with drastic consequences for the profit projections of privatised companies.

Election cycle

Opinion polls which, for the first time in years, make an outright victory for the Labour Party seem credible may accentuate difficulties in the case of sensitive candidates such as the water authorities, where Labour's commitment to re-nationalisation is apparently unequivocal. On the present timetable, privatisation of one or more authorities does not look possible before the autumn of 1987. How big a discount on the offer price would be necessary by then to overcome City apprehension and ensure a successful flotation?

The constraints imposed by the election cycle, however, have no bearing on the desirability or otherwise of water's privatisation. Indeed, if the economic case for sale were strong, the best policy might be to press ahead: it would be counter-productive to argue that a government should attempt nothing controversial in its final two years of office. The trouble is that ministers have failed so far to provide a convincing rationale for the denationalisation of water; unless more cogent arguments are presented than those in February's white paper, MPs' post-bags are likely to fill with the complaints of constituents who instinctively feel that the sale is misguided.

The Government's case for privatisation seems to rest on two sets of arguments. First, that the authorities will benefit from access to private capital markets; second, that under private ownership, the needs of cusomers will be met more efficiently—that quality of service will improve. The first argument carries some weight but only because the Government has imposed public borrowing constraints inflexibly, at times even using the more profitable authorities as unofficial tax collectors. Illogical supervision of publicly-owned businesses is not in itself an argument for privatisation.

Less efficient

So far as efficiency and quality of service are concerned, the claims about the benefits of privatisation reduce to unprovable assertions. The regional authorities will remain local monopolies and there will be no scope for future competition. Yet economists are agreed that it is changes in market structure rather than changes in ownership as such that tend to be most important factors determining business performance. International surveys suggest that where the scope for competition is restricted, privately-owned companies, which require heavy and permanent regulation, can be less efficient

At the same time, the water industry has many special characteristics which seem to justify public ownership. For example, given the life span of sewerage systems, exceptionally long-time horizons are required for investment decisions. Equally important, the industry bears heavy environmental and public health responsibilities which private profit-maximisers might attempt to shirk.

Privatisation of water is at best marginal to the Government's main objective, which is to improve the economy's efficiency. The Government needs to consider whether, given its other pressing priorities, the time and effort devoted to this cause will be justified.

UK MONEY MARKETS

The great paper chase is on

By Peter Montagnon and David Lascelles

BANKERS can scarcely remember anything like it. The Thatcher Government's announcement at the end of April that it was to permit dealing in sterling commercial paper unleashed an unprecedented frenzy of public relations and marketing as banks scrambled to get a hold on what many believe will eventually become a key part of the UK's financial markets.

The Government had been under pressure for a long time to open up a market in commercial paper, short-term negotiable debt sold directly by companies to investors in the money markets.

Corporate treasurers saw it as a new and cheap means of borrowing to meet their working capital needs; merchant banks saw it as offering a new instrument in which their dealers could profitably trade. Generally the City also took the view that such a market was necessary if London was to compete with other international centres.

Yet, partly because of restrictions surrounding the new market — only listed companies may tap it and they must have net assets of at least £50m — it has got off to a slow start.

Some bankers even suspect that the Bank of England, traditionally more sceptical over the need for a commercial paper market than the Treasury, may have deliberately formulated regulations designed to dampen excessive enthusiasm.

Commercial paper bypasses the banking system. In the US where $300bn in such debt is outstanding it has led top-class companies to take away business from commercial banks, leaving them floundering with problem loans to energy companies, farmers and ailing Latin American economies. One worry in London is that a flourishing commercial paper market could wreak similar damage on the clearing banks.

Yet for the time being a spirit of free-for-all reigns in the banking community. One energy company treasurer says that in the three weeks between the announcement and the actual official start up of the new market on May 20 he received no less than 33 offers from banks to help him set up a programme.

Bankers swarmed to a conference organised by the Association of Corporate Treasurers to usher in the new market. When they got there they found they outnumbered their potential customers by a ratio of two to one. The competition has become so cut-throat that some banks have even offered to pay on behalf of their corporate customers the legal costs of setting up a programme.

The response from corporations themselves has been cautious to say the least. Many treasurers say they are shell-shocked by the deluge of publicity material and in no mood to rush in. The list of those who have announced plans to tap the market is growing only slowly and large companies like British Petroleum and Imperial Chemical Industries are holding back.

Those that have decided to tap the market are predominantly from the service sector—property companies like Hammerson and Stockley, FAI Insurances; Australia's largest general insurance company, Hawley, the UK cleaning and maintenance services group, and PHH, the US transport group. Many of these are unable to tap the competing market in bills or bankers acceptances. Bills are negotiable debt instruments used to finance trade and to use them a company must, under Bank of England rules, give evidence that it is actually engaged in physical international trade.

For other companies, a decision to tap the market depends heavily on the rates that it can offer. So far, most of the paper sold appears to have gone at rates about Limean. This is the mid-point of the difference between the low rate at which banks bid for deposits in the money market (Libid) and the higher level at which they offer their surplus funds for deposit with other institutions (Libor). What is important is that Limean is generally higher than the rate available on bills.

"In the end it depends very much on the interest rate at which funds might be available. The bill market at the moment has an advantage, partly because the Bank had been buying bills. It seems therefore unlikely that the commercial paper market would compete," says Mr David Cobbold, manager of the treasury division of British Petroleum Finance International.

Corporate treasurers these days are increasingly sophisticated. Those at some large companies claim that they can raise sterling funds very cheaply indeed by borrowing in continental money markets and converting the proceeds to sterling in the foreign exchange market. To compete with that, says one, sterling commercial paper, which involves extra administrative and legal costs and takes up more management time, would have to offer rates well below Libid whatever happens in the bill market.

Even if the commercial paper market does take off, however, companies are unlikely to do away with their existing bank relationships altogether. Mr John Beverton, treasurer of Peninsular & Oriental Steam Navigation, which is due to start tapping the market shortly, says commercial paper is attractive because it is a cheap and new source of funds. "It's a means of having our name known in the marketplace," he says, but he warns against over-reliance on the paper market.

Adds Mr Robin Napier, finance director of Redland, the building materials concern which was one of the first to issue paper: "It's our duty to ensure that we do borrow at minimum cost, but our overriding task is to ensure availability of funds." Redland will ensure that its paper issues are backed up by standby credit lines from its bankers.

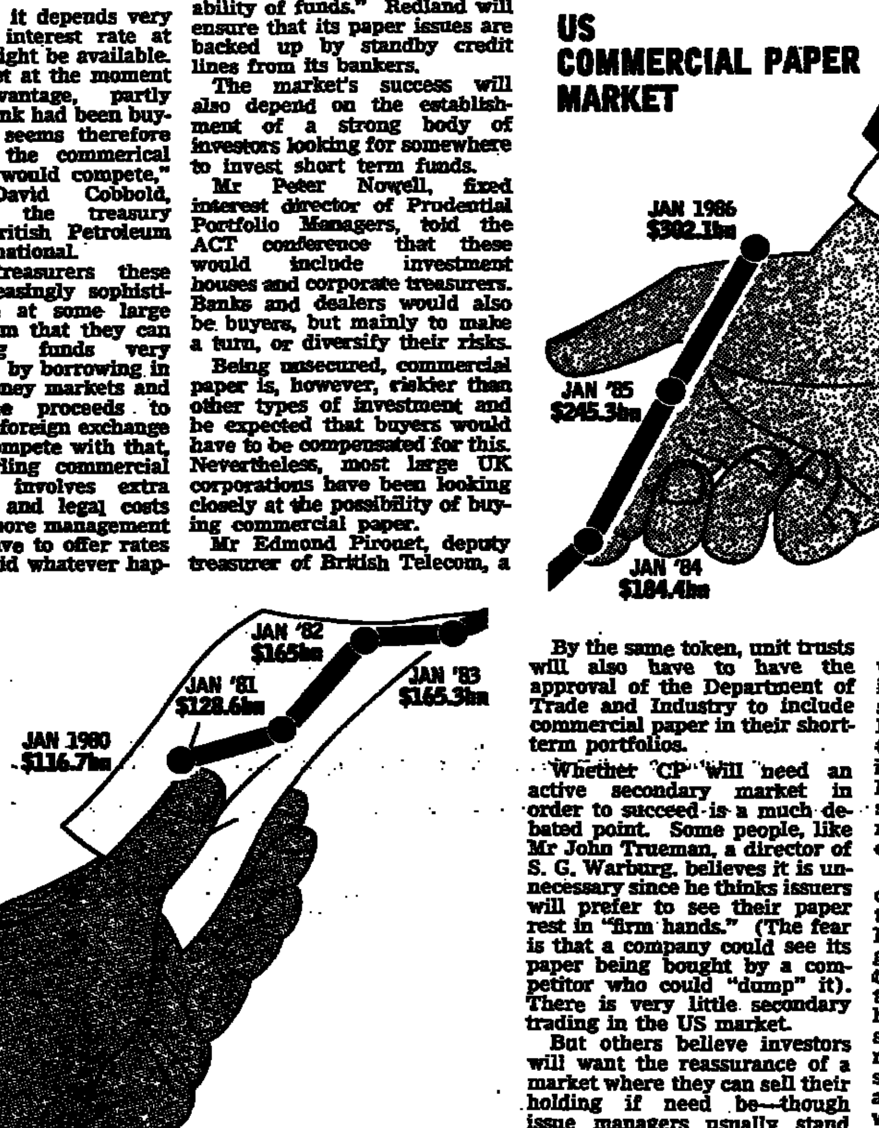
The market's success will also depend on the establishment of a strong body of investors looking for somewhere to invest short term funds.

Mr Peter Nowell, fixed interest director of Prudential Portfolio Managers, told the ACT conference that these would include investment houses and corporate treasurers. Banks and dealers would also be buyers, but mainly to make a turn, or diversify their risks.

Being unsecured, commercial paper is, however, riskier than other types of investment and he expected that buyers would have to be compensated for this. Nevertheless, most large UK corporations have been looking closely at the possibility of buying commercial paper.

Mr Edmond Pironet, deputy treasurer of British Telecom, a company which has never previously bought commercial paper, said the market would represent an alternative home for corporate liquidity, with the special attraction that buyers would have a wide choice of maturities, not just the standard calendar periods of bank certificates of deposit.

It does not seem likely, however, that UK building societies, who are large investors of short term funds, will be able to buy commercial paper. It is not currently on the list of investments approved by the Chief Registrar of Friendly Societies, their regulator. The question is whether it will be permitted when the new supervisory Commission is set up later this year under the forthcoming Building Societies Act.



Borrowings outstanding
Source: Federal Reserve Bank

By the same token, unit trusts will also have to have the approval of the Department of Trade and Industry to include commercial paper in their short-term portfolios.

Whether 'CP' will need an active secondary market in order to succeed is a much debated point. Some people, like Mr John Trueman, a director of S. G. Warburg, believes it is unnecessary since he thinks issuers will prefer to see their paper rest in "firm hands." (The fear is that a company could see its paper being bought by a competitor who could "dump" it). There is very little secondary trading in the US market.

But others believe investors will want the reassurance of a market where they can sell their holding if need be—though issue managers usually stand ready to buy paper back. There is wide agreement, though, that adoption of the US practice of insisting on credit ratings for issuers will help. The two major US agencies, Standard & Poor's and Moody's, are already touting their services in London.

The size of the secondary market could depend on the readiness of traditional dealers in UK money instruments like the discount houses to trade commercial paper. Mr David White, chief executive of Cater Allen, one of the largest houses, says: "We are natural holders of bills and CDs (certificates of deposit). And commercial paper, in our view, falls in line with those existing instruments." Mr White expects the market to divide into a top tier where the paper of big multinationals is actively traded, and a lower tier of lesser company paper with little secondary activity.

One of the major concerns of the market's promoters — the issue managers — is that pricing should not be distorted by the Bank of England's operations in the bill market, through which it traditionally controls the liquidity of the UK banking system and with which the commercial paper market will, effectively, be in competition.

Bankers have been seeking a clear statement of policy from the Bank of England. Mr Ian Plenderleith, the head of the gilt-edged division, has said there will be "no change" in the Bank's practices and that he sees no reason why they should hinder the growth of the new market. This has not satisfied bankers, one of whom asks: "Do they really mean what they say?"

Bankers will feel easier when they see a further diminution in the Bank's holding of £10bn of bills because that will reduce a possible source of price distortion.

It will probably take several months before the potential of commercial paper becomes clear. Besides uncertainty over its cost there are still legal obstacles holding back many would-be issuers. The Companies Act still has to be amended so that UK companies can issue paper without first publishing a prospectus. At present paper has to be issued through an offshore subsidiary. Even then, however, the market may not be as free as its larger counterpart in the US.

"Our ideal situation," says BP's Mr Cobbold, "would be to stand ready to issue paper in sterling or in dollars at a particular rate. We would like to be able to quote rates on a screen and do our own marketing." What is not clear, however, is whether the amendments to the Companies Act that are now proposed will permit this.

Another worry, expressed by Mr Beverton of P & O, is security. Commercial paper is evidenced by a bearer security not much larger than an outsize postcard which may be worth as much as £1m. Where it will be held on behalf of investors and how transactions will be settled is thus of the utmost importance. Security has also been a problem in the US market where investors frequently like to take delivery of paper they buy, preventing the development of computer-based issuing.

All this points to a rather slow start to the market, and that, in turn, explains why competition among banks is so keen. The commercial paper market has pitted the clearers and some UK merchant banks against the giant US investment houses which are well-experienced in the $300bn US market.

Slowly these houses, like Salomon Brothers, Morgan Stanley and Shearson Lehman Brothers International, which were initially excluded, are obtaining Bank of England permission to deal. (Morgan Guaranty has also had to obtain such permission for the rather quaint reason that its UK merchant banking arm, unlike that of other US banks, happens to be incorporated in the State of Delaware rather than in the UK.)

US experience shows that the commercial paper market is a low margin high volume business. In the UK it is never likely to grow to the size where there would be room for all these players — even the US market is dominated by a handful of about half-a-dozen large dealers. And that means it is vital for would-be dealers to secure a large slice of the action quickly.

"We all feel that there are only going to be five or six players at the end of the day. Therefore it is important to start out at the top," says Mr John Cameron of National Westminster's County Bank subsidiary.

Alongside S. G. Warburg, County has emerged as an early front-runner in the race to dominate the market, with Barclays, Lloyds Merchant Bank and Midland's Samuel Montagu subsidiary trailing slightly behind. All of them were deeply upset when Citicorp surprised everyone by claiming to have sold Hawley's paper just after midnight on the morning the market opened. The prize may be elusive but with competition like that the race can hardly fail to excite.

Men and Matters

Hornby's grand design

Two people were travelling on a train to Venice. One said to the other. "The Tatler doesn't have a gardening correspondent."

"I know," said the other, editor Tina Brown. "I can't find anyone to write it." "I will," came the reply. And so Simon Hornby, amateur but passionate gardener, joined the ranks of journalism.

When he is at work, the Tatler's gardening correspondent is chairman of the WH Smith group, the retail newsagent and wholesaler.

Now he has been hand-picked for a new role. In August he will take on the mantle of Mrs Thatcher's champion of design as chairman of the Design Council. His appointment was confirmed yesterday by Paul Channon, Trade and Industry Secretary, and he will take over from Sir William Barlow who has completed two terms of office at the Design Centre.

Hornby's pedigree puts him on the side of the angels in the world of design. His grandfather ran the Ashendene Press, one of the three distinguished private printing presses of the time in Britain. Grandfather was a supporter of the artist-designer movement and numbered William Morris among his friends.

Hornby says, "I have always been fascinated by good design. I was brought up surrounded by interest in the subject—it's in my blood."

His interests in the artistic side of life have taken him on to the council of the Royal Society of Arts, the council of the National Trust, the chairmanship of the National Book League, and to the board of trustees of the British Museum. He is also a non-executive director of the Pearson group which owns the Financial Times.

W. H. Smith itself picked up the RSA's design management award, and boasts a clutch of Civic Trust awards for its buildings.

Hornby, who is 51, is delighted with his new job. He intends to propel the Design Council down the route to make British products more attractive and competitive in world markets.

Work of Art

If Tatung, the Taiwanese manufacturer of home computers, is noticing an upward blip in its sales figures for the Dorset region of southern England, it probably has something to do with the activities of Art Buckland.

Buckland, 37, is an amiable American who two years ago was put in charge of the UK division of Factron, based in Ferndown, near Poole. Factron is the electronics test systems subsidiary of Schlumberger, the automation to oil services multinational.

To interest more of his 440 staff in the practicalities of generating software — a vital part of the Factron business—Buckland has introduced training courses in computer programming that are free to all employees, everyone from security men to highly paid engineers.

As a sweetner, Buckland is giving away £500 Tatung computers to everyone who stays the course. So far, 250 have been snapped up.

Another innovation introduced by the new man is a regular "beer bash" in which the whole staff join each other for drinks on Friday evenings three or four times a year. Buckland admits that the workforce initially treated his generosity with suspicion—some thought he might be about to announce redundancies or some other unpalatable news. But his ideas now seem to be paying off. In the past 18 months, the Ferndown division has increased annual sales by a half to £35m, and the company has announced a £30m expansion programme over the next three years.

Diplomatic talk

The appointment of John Whitehead as the British Ambassador in Tokyo continues the tradition of having a Japanese speaker representing Britain in Japan.

The usual totally unreliable gossip on the diplomatic circuit had it that Whitehead, for the past two years, the foreign office's chief clerk, and before that a popular member of the Tokyo embassy staff, actually had his eyes first on Bonn, where he has also served.

However, with Julian Bullard not long ensconced in Germany, and with the current Tokyo incumbent, Sir Sidney Giffard, due to retire in the autumn, Whitehead's qualifications as the only Japanese speaker of major ambassadorial rank were overwhelming.

The last man in Tokyo who spoke not the lingo was Sir Michael Wilford in the early 1970s. Of his successors, Sir Hugh Cortazzi was sufficiently fluent in spoken and written Japanese to unnerve his Japanese hosts. They found it difficult enough in any case during the Falklands war to distinguish between a British ambassador with a Latin name, and an Argentinian envoy, also in post, with an Anglo-Saxon sounding one.

There has been some intermittent debate over the years on the degree to which language skills are absolutely necessary for an ambassador. And whether or not it might be a good idea every now and then to appoint someone who might look at Japan with a fresh, as opposed ot well-versed, eye.

But the Foreign Office, more than all its Western counterparts, has always put a premium on language capability for Tokyo. That tends to mean that invariably the man who inherits first honed his skills at the language school in Kamakura a generation and a half before.

Whitehead can turn out a fair set piece speech in Japanese. However, for nuanced negotiations with a nation as deeply into nuances as the Japanese it is thought he might take along one of his more articulate aides.

House rules

The House of Lords was holding one of its rare all-night sittings last night, expected to last until breakfast time today. The subject of debate, of all things, was the Gas Bill to privatise British Gas, and the lengthy sitting was caused by the determined opposition of Labour and Alliance peers during the committee stage.

But their lordships know how to make the best of such dire contingencies. Though they decided not to adjourn for dinner (as they do on occasions), arrangements were made for a late supper to be served in the Grill Room between midnight and 2 am, and the hobs remained hot for early breakfasts thereafter.

The Guest Room was being kept open until 1 am, and the Bishop's Bar was due to stay open throughout the night to ensure that the needs of lords, both spiritual and temporal, were met.

Not for the first time, their lordships must have appreciated that there are certain benefits from working in the Palace of Westminster and thus escaping the licensing laws.

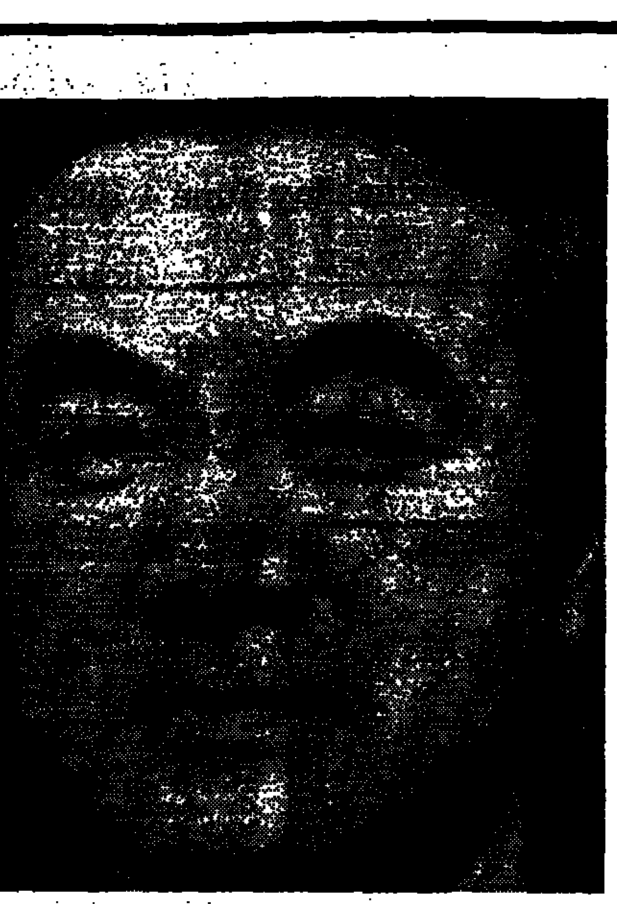
Market advice

A City stockbroker rang NZI Investment Services about the market last Friday and, in the course of the conversation, mentioned that a client had just asked him what to do to double his money.

NZI's man suggested the client should back the Queen's horse, Insular, in the 5.05 race at Newmarket. The tip amply paid off—Insular won at 7-4.

Observer

Party fixers defy the omens



Uncertain future: Prime Minister Yasuhiro Nakasone

Jurek Martin assesses the prospects for Japan's elections

ALTHOUGH the Japanese parliamentary term runs for four years, there has been, on average in the post-war years, an election for the Lower House of the Diet about every 30 months. Since the last time the country voted was in December 1983, the next one, on July 6, would appear to have arrived just about on schedule. However, not much else about the election, including the date itself, is normal.

July 6, it so happens, is an extremely unpropitious day (a buddha died) for any Japanese to entertain any form of public or private ceremony, let alone to call a general election. Curiously, these things do matter even in contemporary Japan, which is not otherwise conspicuously affected by religion. Warburgs, the British merchant bank, chose today to start trading as a fully fledged member of the Tokyo stock exchange because it was a singularly "fortunate" day. By the same Buddhist calendar, June 22 would have been perfect for a wedding and an election (though not a funeral), which is at least partly why, two months ago, most Japanese were convinced the country would vote on June 22.

Not only is Japan going to be voting on the wrong day, it is also far from clear what it is voting for and about. It is not voting in judgment on the performance of Mr Yasuhiro Nakasone as prime minister. The future of the 69-year-old leader will be determined some months from now by his own party, the Liberal Democrats, for different reasons. The election results may, or may not, be brought into the argument as an explanation for why he was, or was not, disposed of. Nor is Japan holding an election simply because the prime minister wants one, though he undoubtedly does, for personal and party reasons. On his own, the prime minister does not command the power to bring one about.

In spite of the high value of the yen, the country is not really going to be voting about economic policy management, because the government has offered the country nothing concrete to vote on. It will not be voting on issues such as tax reform, electoral reapportionment or denationalisation, though these will be used in the campaign, because none of these issues have reached a point which justifies calling on national opinion (as, for example, the question of higher taxes did in 1979).

Finally, Japan will not be casting its ballots, as it did in 1983, because the government is embarrassed (then by the conviction of the former prime minister, Mr Kakuei Tanaka, for taking bribes from Lockheed) or because the opposition got its divided act together enough to make life impossible for the ruling party (by a boycott of the Diet). On this occasion, Mr Tanaka is no longer a cause celebre, and has been replaced by nobody else as one, while the opposition has been almost completely out of the intricate pre-election political game.

All that can be said with safety is that Japan will be voting because the rank-and-file of the LDP, and the business interests that underwrite the party, long ago concluded that this summer was as good a time to go to the country as any other in the expectation of winning back what had been lost in December 1983. It was in the gift, and within the artful compass, of Mr Nakasone and Mr Shin Kanemaru, the LDP's secretary general, to orchestrate this basic desire to the best interests of both.

Mr Nakasone and Mr Kanemaru may be of the same party, but their constituencies do not necessarily coincide. The prime minister's is personal and, by his own definition, national. The secretary general's is largely bound by the party. Usually frank, Mr Nakasone has never really explained why there should be an election or what he thinks a good one might do for his chances of remaining in office. The word is that he has promised his confreres to step down in October, when his term as LDP president expires, but nobody really knows if his commitment is binding.

The assumption remains that if the LDP does well his stature inside the party will grow, even if not to the point that he can stay on as prime minister. In a political climate as rife with speculation as Japan's always is, there is talk that, after a couple of years behind the scenes, he might launch a comeback, especially if his successor fares badly. What is not known is which of the leading pretenders he would prefer to hand over to, and on what terms.

The LDP does not select its leaders for reasons the outside world would readily comprehend. Neither record nor policy necessarily matter as much as the imperative, often obscure, to balance competing interests, or factions, within the party. It so happens that Mr Nakasone, party chief but leading only the fourth largest faction, is dependent not on his own strength but on alliances he can forge.

His relationship with the Tanaka legions, the LDP's most numerous, has given him two successive two-year terms at the helm, the maximum that present party laws permit. The prevalent party sense now is that it is somebody else's turn, though exactly whose depends on the right coalition of interests, a process in which Mr Nakasone is but one of several players.

Intriguingly, Mr Kanemaru does have a candidate (not himself, though some think he has latent ambitions). He is Mr Noboru Takeshita, the Finance Minister, whose daughter is married to Mr Kanemaru's son and who comes from the same Tanaka faction. But, in his recent role, Mr Kanemaru does not seem consciously to have been advancing the finance minister's cause. Rather he has been the voice of the grassroots, which the Tanaka faction has always farmed most successfully. If, after the election, Mr Kanemaru can unite the faction behind Mr Takeshita then his kingmaker status will truly have been enhanced.

But his present rationale is that the LDP could and should more than recoup its 1983 setback, when it lost 36 seats and was forced into a coalition with the splinter New Liberal Club in order to maintain an effective parliamentary majority. Under the recently passed electoral reform the new Lower House will have 512 seats, one more than before, which means the LDP needs 257 for an overall majority (in 1983, it won 250 on its own account and subsequently co-opted eight independents) and 275 for control of the Diet standing committees.

Conventional wisdom has it that the LDP does well when the voters turn out in force and that this is likely to be the case in "double elections" for both houses (half the Upper House seats will be contested on the same day). The only precedent was in 1980, when nearly 75 per cent of the eligible population voted (versus 67 per cent in 1983) and when indeed the LDP did handsomely. However, some of that was attributable to the sympathy the party enjoyed when the incumbent prime minister, Mr Ohira, died shortly before voting day.

A worrying factor for the LDP is that it might run too many candidates in Japan's multi-member constituencies and thus end up by shooting itself in the foot. This happens because the competing factions, conducting their own election-within-an-election, do not like giving up any chances to add to their strength. At the start of this year, it had a candidate list with over 400 names and, reportedly, still has one in the 340-50 range. Mr Kanemaru, therefore, needs to conduct some further delicate winnowing.

The consolation for the LDP is that it still rides high in the polls (even if a little lower than before) while the opposition has gone nowhere. Electoral reapportionment, meaning the loss of seven country seats, will probably affect the LDP and the Socialists equally and is unlikely to be a significant factor.

In 1983, the opposition parties did well for several reasons: the pendulum factor, disaffection with the LDP, and their own ability to pool resources in key constituencies. This was best seen in the performance of Komeito, the Buddhist-oriented centrist party, which ran 60 candidates and saw 59 elected, a marvellous example of co-operative targeting. But had it run 120 candidates, it would probably still have only won 59 seats.

This time the Socialists, still moving Kinnock-wise toward the centre, have not resolved historic left-right schisms, while, in the middle, both Komeito and the Democratic Socialists seem mostly content with the comfort of opposition and with speculation over their possible merits as coalition partners of either the LDP or, less probably, the Socialists. All three opposition parties complain, as do the Communist Party, and the media, about the artificial way the election has been brought about, but none offers alternatives to the conservative regime that has endured for nearly 40 years.

And yet, barring a major reversal for the LDP on July 6, it is only after the election that the real political battle will be joined and real policy issues confronted. That process is likely to be as secret and obfuscatory as the events of the last remarkable month.

UK education

School reforms that could end yob rule

By Baldwyn Davies

A NEW BROOM at the Education Department in the shape of the civilised Kenneth Baker is perhaps the best time for a few words of advice from a practitioner in a service plagued by experts who are all too remote from the classroom.

Chris Patten, Under-Secretary at the DES, was right when he said that the education service was forging a yob society in this country: but his remedy of Crown schools as models against recidivism into barbarism is laughable.

That a yob society is in prospect is, largely, the fault of this government. It has been hamstrung, as the Audit Commission has lately pointed out, in its handling of falling rolls, and secondly in its handling of teachers, by concentrating upon teacher incompetence as a stick to beat all teachers. Combine those with massive erosion of the resources that education needs to meet the demands of the computer age, then the recipe for yobbishness is complete.

Indeed the last straws are the undue emphasis on vocationalism, as prompted by Lord Young and the Manpower Services Commission, and Sir Keith Joseph's ridiculous faith in the examination system, as exemplified by the new GCSE exam, as a means of restoring "standards" in education. Sir Keith was a victim of populist ignorance when he based his measure of "schools of proven worth" largely upon good, if not excellent, examination results.

Even after the introduction of the GCSE, two features of the examination system will remain which mean that there will be a substantial number, even a majority, who will emerge from our schools disillusioned, alienated, and labelled as failures. These two features are the way lessons are organised into subjects and norm-referenced examinations, that is the use of examinations as a filter for higher education.

To take the second feature first. If the schools are geared to teaching pupils to pass examinations (a pretty limited and limiting view of education in any case) and those examinations, at "A" level, are designed to provide a measure of fitness for 15 per cent to go on to higher education at university and polytechnic, then, ipso facto, 85 per cent of any year group will be failures.

That shocking statistic is partially hidden by the 16 plus "O" level—soon to be replaced by the GCSE—hurdle; its aim being to provide cannon fodder for "A" level by a pass rate of about 40 per cent. Effectively that means that 60 per cent of the 16 plus age-group fail, giving the critics their pool of under- or non-achievers who can legitimately say that the eduation system has failed them.

Kenneth Baker should heed the National Association of Headteachers' plea to delay the introduction of the much-vaunted GCSE because it does not grasp the nettle of examination reform. Any new exam must not be based upon a pass/fail concept but rather upon criterion-referencing.

Is it not time to move to a system that means something and is above all fair?

If you want to speak of standards then you have to speak of criterion-referencing. Quite simply it means that you set a standard of achievement that is absolute so that anyone who reaches that standard passes the examination. There is no question of failing a set proportion — the easy option the present system adopts and that GCSE will still do. So is it not time to move to a system that means something and is above all fair?

It is even more important that the other feature of the school world that militates against progress, the subject disciplines, needs to be put into a proper perspective. In essence subjects are arbitrary bodies of knowledge labelled for convenience — history, geography, physics, mathematics and so on.

There is nothing sacrosanct about them: except of course that there are schools of history, geography and whatever at the universities. Yet a historian, for example, will often refer to geographical factors, to technological features, to cultural qualities in order to make his historical case. My point is that much of the difficulty in education stems from the undue importance of subject disciplines in school timetables. Subjects after all are merely ways of looking at problems and events.

If, instead of putting subjects first, schools turned to problem-solving and to assessment of their environment, all the strands of the timetable could be grounded in those things that surround the pupil.

This would provide the interdisciplinary focus that would breed real meaning into the present sterile information-based mish-mash that passes for education. If how man expresses his love, hopes and fears were incorporated, then those glories of our cultural heritage — art, music, drama, literature — would naturally be encompassed. Attention could then be concentrated on education as process, not product, so that young people would acquire those skills that they need to sustain them in life as a whole, not just as an MSC vocational unit.

What this implies is resources — cash — for a massive in-service programme for teachers so that they begin to value all contributions to knowledge as providing differing insights to the same problem. It is only through such understanding that teachers will understand the need to reform their own teaching to lead out — educo — the potential in their pupils. The hegemony of subject disciplines, as well as the sovereignty of the single teacher in the classroom, must go.

I commend to Kenneth Baker a fundamental move to pupil-centred learning and criterion-referenced examinations to provide the breakthrough the education system needs if it is to serve this country into the 21st century.

The author has taught at Oswestry College, Oswestry Boys' High School and Speke County Secondary School.

Letters to the Editor

US services boom

From the Executive Vice President, Corporate Affairs and Communications, American Express Company

Sir,—In Anatole Kaletsky's *Lombard* (May 22) "Not so rich Uncle Sam," he suggests that the US is getting poorer because it is becoming a country that has been transformed into a service economy. He suggests that "Entrepreneurs are all very well, but a European style industrial colossus may be preferable to a horde of small businessmen who make all their money by suiting each other even underwriting junk bonds." This is a specious argument. It assumes that the US has the power to choose to be an industrial country predominantly rather than continue to have a growing service sector. To achieve that "industrial colossus" status, the US would have to erect trade barriers to bar industrial imports in an amount that would make the pasta war look as anaemic as overdone linguine.

The US is one of the few countries in the world that could, for some period of time, engage in a massive "America first" industrial policy. Of course, this would be a little hard on other countries and would lead to retaliation and trade wars of a scale heretofore unimaginable. While the US should be, and is, concerned with partial deindustrialisation, it has also benefited from the nearly 10m jobs created over the past several years, largely in services. The US services boom has to a large extent also made it possible for the US to continue as a buyer of the rest of the world's output. This job creation miracle has been the envy of most other developed countries.

Mr Kaletsky has fallen into the *MacDonaldisation of the world syndrome*, ie all services are fast food operations. Fortunately, he has expanded it to include lawyers and some financial underwriters. While those are lucrative industries, the facts are that the US has had a major boom in business services, provided largely by small businesses, and it does remain a country where someone with a good idea gets a shot at making it financially.

I think the world is better off having a US that allows some comparative advantage principles come into play. The alternative would be costly to the US, but even more so for its trading partners.

Harry L. Freeman,
American Express Tower,
World Financial Center,
New York, NY 10285-5160.

EEC copier market

From the Joint Chairman, Gestetner Holdings

Sir,—Jane Rippeteau's article (June 2) on the EEC copier anti-dumping investigation gives an unbalanced impression of the current debate on the industry in Europe.

There are a number of EEC companies, among them Gestetner (which is a wholly owned British company) which buy Japanese products (in which they have a design input) to incorporate within a broader product range. In our case almost all of this product range is made in Great Britain. These companies have about a third of the European photocopier market and employ more people in their manufacturing, sales and technical service than do the complainant companies. Our revenues and profits accrue entirely within the EEC.

Over a large part of the copier industry there are no indigenous European manufacturers of substance. All of the complainants in the anti-dumping case sell Japanese manufactured copiers and, as Jane Rippeteau repeats, several of them have either themselves been largely purchased by non-European companies or have formed technical links with them. Thus, if an anti-dumping duty was imposed, it would lead to very little increase in European manufacture, but on the one hand to increased prices to European customers and on the other hand to increased profits for the Japanese as they put up their prices to purge their alleged dumping misdemeanours. The increased profits thereby generated would strengthen the Japanese companies and enable them to compete in Europe over a broader front.

Since Jane Rippeteau's article was specifically focused on one of the complainant companies, I believe it appropriate to comment on it. Xerox, which is the majority owner of Rank Xerox and to whom over two-thirds of the latter's profits accrue, is a US based company which, the article states more than once, direct the actions of Rank Xerox. A substantial portion of Rank Xerox's European sold copiers are imported from Japan and elsewhere. In the early 1970s at about the time when its dominant position was being investigated by the UK *Monopolies Commission*, Rank Xerox tried to stop Gestetner manufacturing copiers in England by bringing a patent suit against us which they subsequently withdrew. Yesterday's patent suit is today's anti-dumping action.

Sir, we believe that the imposition of these anti-dumping duties would only raise prices to the European customer, strengthen Japanese and American companies and be another nail in the coffin of free trade.

Jonathan Gestetner.
PO Box 466,
London, N17.

Treasury control of spending

From Mr P. Browning

Sir, — Malcolm Rutherford (May 30) writes of the "general impotence of the Treasury" to control public spending in the *1974-1979 period* "*until the IMF* was called in." This is incorrect.

While it is true that the Treasury's control of public expenditure had for many years left much to be desired the situation was greatly improved after 1974, thanks to the efforts of Denis Healey, Joel Barnett and Leo Pliatzky. Public expenditure at constant prices fell by 1 per cent in 1975, 1.8 per cent in 1976 and 8.2 per cent in 1977. Moreover, it is implausible, given the inertia of the system, to attribute any large part of the very big fall in 1977 to the package of measures, agreed with the IMF, introduced in the closing days of 1976.

Peter Browning.
Oak Farm Cottage, Hog Lane,
Ashley Green,
Nr Chesham, Bucks.

Membership of the EMS

From Mr A. Smith

Sir,—Full UK membership of the European Monetary System would have certain advantages, for example, facilitating a temporary reduction in interest rates, as Mr Brittan rightly points out (Economic Viewpoint, May 29). Supporters of entry into the EMS, however, paint too rosy a picture of the potential benefits.

In particular, it is by no means clear that a fixed exchange rate will be any more effective, or less painful, as a *counter inflationary policy* than the earlier experiment with monetary targetting. It is now apparent that monetarism has succeeded—if that is the correct word—not by reducing inflationary expectations and hence wage settlements, but *rather* via a weakening of the economy.

The main cause of inflation in the UK remains the stubbornly high rate of growth in unit labour costs. Membership of the EMS may push us towards *policy convergence, but this* does not guarantee convergence of performance. Once inside the EMS, if wage costs continued to rise faster than in Germany, the result would be either a series of realignments, or interest rates would have to remain excessively high to defend sterling. Plus ça change.

The UK suffers from excessive wage growth and unacceptably high unemployment. Is it not time these problems were tackled directly?

Andrew J. Smith.
Laing and Cruickshank,
7, Copthall Avenue, EC2.

Industrial relations

From Dr J. Hamill

Sir,—The conclusions of the Engineering Employers' Federation survey of industrial relations practices in foreign-owned firms (*May 27*) are *inaccurate* on a number of counts. The companies surveyed represent a biased sample. Foreign-owned firms who are members of an employers' association are precisely those who have adopted British IR practices. It is not surprising, therefore, that no differences were observed in the IR style of foreign-owned and *domestic companies*. A significant proportion of foreign-owned firms (approximately half) are not members of an employers' association, and it is in these companies that the transfer of foreign IR practices is most common.

The conclusions of the EEF study are inconsistent with previous studies in this area, which conclude that the employment and IR practices of foreign-owned firms are, indeed, significantly different from those of domestic companies. The attitude of many foreign-owned companies towards the recognition of trade unions is the most *obvious* example of this. The transfer of foreign IR practices, however, is also evident in other areas, including employer association membership; wage payment systems; collective bargaining procedures; and wage levels and employee fringe benefits.

The EEF conclusion that IR decision-making is completely decentralised at subsidiary level is also contrary to the findings of previous studies, which show a greater degree of parent company control over subsidiary IR. In addition, even in cases where decision-making is decentralised, the parent company can still exert a significant indirect control and influence through its corporate personnel philosophy; the use of IR codes and guidelines; the employment of parent company nationals at the UK subsidiary; and the training and remuneration of subsidiary management.

Dr J. Hamill.
University of Strathclyde.
173 Cathedral Street,
Glasgow.

FINANCIAL TIMES

Wednesday June 4 1986

Max Wilkinson explains the background to Norway's $60bn gas deal

How Oslo clinched its sale of the century

IN THE SMALL hours of Sunday morning, senior executives of Statoil, Norway's state oil company, confronted a new and unexpected challenge: How to get champagne in Stavanger at that time of night.

They had just clinched Norway's sale of the century, a gas contract with a total value about equal to the nation's entire annual income.

Champagne was needed for another reason. The $60bn deal allowed the Norwegians to cock a snook at the British Government's veto last year of a $30bn contract for the supply of gas from the Sleipner field in the Norwegian sector of the central North Sea.

A hasty ring-round of Statoil employees unearthed 12 bottles of the necessary liquid, so representative of the consortium of French, Belgian, Dutch and West German purchasers were persuaded to stay a little longer to share the moment.

Statoil would undoubtedly have put a celebratory bottle or two ready on ice had the deal not been so unexpected. It had been trying for 18 months without success to find buyers for the huge untapped reserves of gas in its Troll field, some 50 miles north-west of Bergen.

The difficulty was that gas from under this 700 sq km area of deep and broken water would be very expensive. The production platform would have to be more than 300m tall – half as high again as the National Westminster Bank tower which dominates the City of London's skyline.

At a time of falling oil and gas prices and plentiful supply, it has proved difficult for the Norwegians to find buyers to commit themselves to large enough volumes at a high enough price, until well into the next century. Without such a contract, the operators could not justify the enormous capital costs of developing the field.

The development of Troll with one platform and several sub-sea installations is expected to cost about NKr 25bn ($3.2bn) for the gas envisaged under last weekend's contract. Development of Sleipner will cost NKr 15bn and new pipelines a further NKr 15bn.

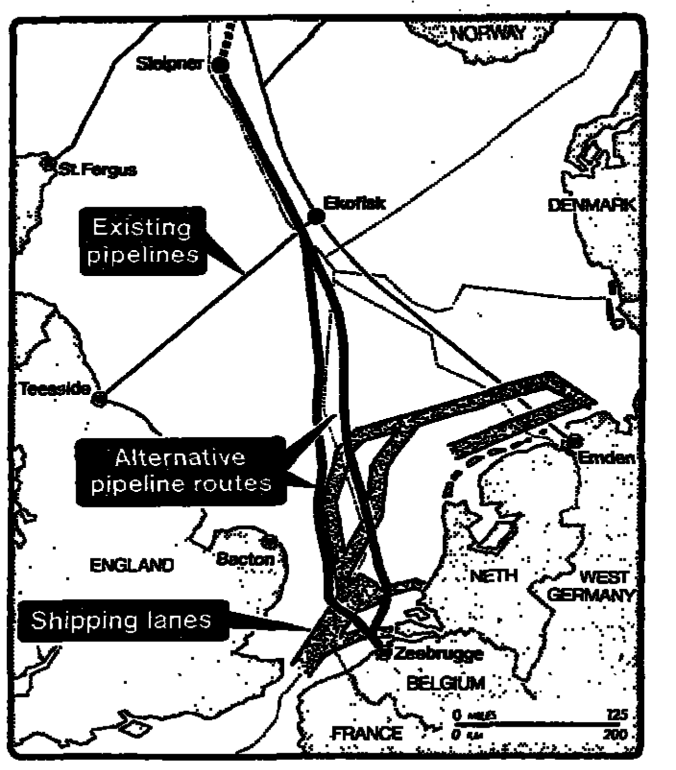
Even Sleipner gas in much shallower and easier waters had not proved easy to sell. The British Government had balked at the idea of buying 200bn cubic metres (bcm) of gas at one go for two reasons: first, the Treasury was worried about the foreign exchange implications and second, Mr Peter Walker, the Energy Secretary, was persuaded that Britian could find enough gas for the 1990s in the UK sector of the North Sea.

Many Norwegians expressed shock as well as disappointment when Britain pulled out of a deal. But even before the veto was announced, Statoil had opened secret negotiations with Elf Aquitaine of France for the purchase of the Sleipner gas.

Then on Friday after leaked reports that the deal was near to consummation, the state-controlled Elf suddenly withdraw, and Gaz de France came forward with a new proposal to link Sleipner and Troll into one enormous deal.

This was the breakthrough, which appeare to have taken the Norwegian negotiators by surprise. It proposed a radical change from their previous stance of selling gas, field by field, starting with the cheapert. Instead, the European buyers were suggesting that a guaranteed quantity of 450 bcm of gas should be sold a under single price formula over a 27-year period up to 2020.

This quantity is more than twice the estimated reserves in the Sleipner field, but less than a third of the combined total reserves of Sleipner and the much larger Troll field.



The arrangement would give Statoil the maximum flexibility in feeding gas to continental Europe from different fields and hence in the capital investment in new projects. This is highly important in a period when everyone expects oil and gas prices will rise, but nobody is sure by how much or exactly when. The deal also gives Gaz de France access to Sleipner in the arly 1990s when it expects to be running short of natural gas supplies. Gaz de France's needs clearly carried more weight than those of Elf in the Parisian corridors of power.

From the Norwegian point of view, the deal stands or falls on the assumption that world oil prices will be on a rising trend by the mid 1990s, since the gas price agreed in Stavanger will be linked to the price of crude by a complicated formula.

In the early 1990s when the pipelines are being built and the Sleipner platform is put in place, they will be hoping for a crude oil price of $20 a barrel or more. But by 1996, when the first Troll platform is expected to be in place, there is a reasonable expection that oil prices will be higher. In the early part of the next century when the world is likely to be strongly dependent on oil from the Gulf and gas from the Soviet Union Statoil may be in a position to cream off very big profits.

This deal gives Statoil and its partners in Troll (Shell and Norsk Hydro) enough certainty to go ahead with development, but there is still a big element of risk and a need to sell much more gas. The obvious customer is British Gas, which is still smarting from the Government's refusal to allow it to buy from Sleipner.

Sooner or later, Britain will have to agree to import gas supplies for its needs in the latter part of this century. Statoil is now hoping to force the pace and ensure that Norway gets the business, perhaps at a higher price than was offered in the aborted Sleipner contract.

It has agreed with the European consortium to build a new gas pipeline from Sleipner to Zeebrugge in Belgium, with an eventual extension north to Troll at a cost of NKr 20bn. One possible route would be on an easterly course down through the Dutch sector of the North Sea.

But the preferred route would be straight through the UK sector, passing close to the main gas fields of the southern basin off the Norfolk coast.

Britain is being given until the end of the year to make up its mind whether to grant the necessary licence – and in effect to give the nod to the Norwegians that it would like to connect up the new pipeline to mainland Britain at some stage.

It is an offer that Britain will find hard to refuse, especially if it opens the possibility of buying gas in more manageable quantities should exploration in the UK sector be less successful than is hoped. This could be "son of Sleipner" with faces saved all round.

China plans $200m Eurobond issue

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

CHINA is planning to launch a $200m floating rate note issue in the Euromarkets even though it has yet to complete negotiations with Britain for the settlement of some £222m still outstanding on bonds issued before the 1949 revolution.

The planned issue, which would be China's first dollar Eurobond, flies in the face of efforts by the Bank of England and the British Government to keep China out of international bond markets until the outstanding claims are settled.

The Bank of China has mandated Germany's Deutsche Bank to arrange the issue, which could be launched in Frankfurt to circumvent Bank of England objections. Deutsche Bank said yesterday, however, that market speculation of an imminent launch was "premature."

News of its plan drew immediate criticism from the UK Council of the Corporation of Foreign Bondholders, which has been campaigning to persuade China to settle the pre-revolutionary claims.

Mr Michael Gough, its director, said: "It is short-sighted to encourage the opening of the market so that a borrower in default can borrow again."

Although the Bank of England has legal powers to prevent China floating a bond issue in the UK's own domestic market, it can only rely on its powers of persuasion to prevent an issue in the offshore Euromarket. "While mainly centred in London, the Euromarket is neither the property of HM Government nor of the Bank of England," one senior investment banker said.

Nonetheless the timing of the issue announcement caught bankers by surprise yesterday. China recently embarked on talks with the UK about the outstanding claims. Both sides are committed to a second round of talks although no date has been set.

Bankers believe that China decided to go ahead with its issue plans regardless of these discussions because it is bent on raising its profile in the international capital markets ahead of the time when it is expected to emerge as a large international borrower.

China has already successfully issued bonds in Japan and West Germany and a floating rate certificate of deposit issue in the Euromarkets. To move on from this to a floating rate bond issue would be the next step in the progress towards the launch of fixed rate dollar bond issues, for which investors normally require an impeccable credit standing.

The Bank of China has also become increasingly aware of the potential of the international capital markets through its role as manager of the country's $12bn foreign exchange reserves. This makes it a large investor in Eurobonds and it has also acted as an underwriter of issues for other borrowers, including a recent $100m floating rate note for Moscow Narodny, the Soviet commercial bank.

Oslo seeks gas sales to UK

Continued from Page 1

gian and Dutch waters. This would be less convenient for Britain if it decided later to buy some of the Troll gas.

Statoil wants a decision by the late autumn so that it can go ahead with plans for the pipeline, which is due to be opened by 1993.

Although Britain's Department of Energy would only say yesterday that any application would be studied carefully, it seems highly unlikely that permission would be refused outright.

Reuter adds from Oslo: Norway's Oil and Energy Minister, Mr Arne Ueien, will meet Opec ministers between June 21 and June 25, an Energy Ministry spokesman said, yesterday.

The spokesman said the meeting could not take place until the Norwegian parliament went into recess on June 21 and Mr Ueien has already said it will take place before Opec's next meeting in Yugoslavia, which begins on June 25.

Mr Ueien is likely to meet the Saudi and Venezuela oil ministers.

UK, Italy, Ireland in jobs plan

BY HAZEL DUFFY IN LONDON

BRITAIN intends to push for an EEC-wide action programme to combat unemployment by encouraging small business start-ups and promoting greater flexibility in the labour market when it takes over the Community presidency on July 1, the Government said yesterday.

A joint initiative has already been agreed with Italy and Ireland and proposals for an action iprogramme based on it have been tabled for consideration by the Social Affairs Council, which meets in Luxembourg tomorrow, and by the European Commission.

Four main areas for action are identified in the proposals as: promoting enterprise and self-employment; flexible employment patterns and conditions of work; training; and tackling long-term unemployment.

The proposal document says the suggestions were put forward after "examining all the ways in which employment growth within the Community can be given further encouragement." They were not intended to promote deregulation or to remove social protections.

The fall in international oil prices is likely to have caused 15,000 job losses in Britain, mostly in Scotland and north-east England by the end of the summer, according to a campaign group representing more than 80 British concerns active in the North Sea. Details, Page 10

The document says more needs to be done to remove barriers to the growth of small firms and self-employment, and it calls for simplification of national laws and regulations.

It urges support from the Social Fund towards low-cost starter accomodation, the introduction of new technology into firms with five or fewer employees and the encouragement of co-operatives.

A similar approach based on deregulation is taken towards creating flexible employment patterns and conditions of work. The document also calls for more employee involvement, greater mobility and mutual recognition by member states of qualifications – academic and vocational – awarded in other member states.

The document supports measures already set out for strengthening vocational training and educatioin for the young. It also suggests an examination of ways of overcoming restrictions on access to training, and ways by which training bodies could identify more closely the needs of local employ ers.

Long-term unemployment calls for special programmes which are mainly the concern of national governments. But the document proposes better sharing of information and encouragement for those governments which do not have such programmes to introduce them.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	21	70	Dubrovnik	S	21	70	Malta	S	26	79	Rhodes	-	-	-
Algiers	S	22	72	Edinburgh	F	13	55	Manchester	C	11	52	Rio de J'o	C	25	77
Amsterdam	C	14	57	Faro	S	24	75	Manila	S	34	93	Rome	F	21	70
Athens	S	27	81	Florence	S	19	66	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Dollar falls sharply

Continued from Page 1

substantial changes in rates over the past year. The Japanese Government, in particular, is expected to be anxious to avoid a further strengthening of the yen which could damage its exporting industries in the run-up to its July 6 election.

Sterling gained nearly 2 cents against the dollar yesterday, closing in London at $1.4935. It fell against European currencies, however, and the Bank of England's index ended 0.1 lower at 76.1.

The dollar, meanwhile, lost more than 3 yen against the Japanese currency, closing in London at Y171.55.

Our economics staff write: The UK's official reserves of gold and currencies rose in May for the fifth month in succession, the Treasury said yesterday. Reserves rose by $179m to $19.2bn and after allowing for the effect of borrowings and repayments showed an underlying rise of $138m.

Analysts commented that the strength of sterling during May had made it unnecessary for the Bank of England to spend official reserves in its defence. The underlying increase in reserves so far this year has largely reversed the $941m outflow during the last quarter of 1985.

THE LEX COLUMN

Taking Hanson on Trust

For a company that has underperformed the London market for a year and only just managed to push through its latest UK acquisition, Hanson Trust shows remarkably little desire to entice investors with information. In interim figures that show pre-tax profits rising by half and market capitalisation nearly threefold on shrinking shareholders' equity, the number of divisions reporting has fallen from 12 to 4. At this rate, the year end will probably show profits almost doubled but the divisions reduced to two: bits and pieces, perhaps, or over here and over there.

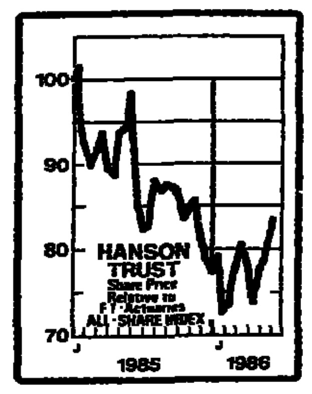
Those investors who swapped their Imperial holdings for Hanson paper presumably did so out of trust in the group's ability to manage both organic growth and new acquisitions. In these figures, which show pre-tax profits up 49 per cent to £158m, they receive only modest comfort. Over here, UK profits are progressing slowly, with the falling rand wiping out growth at Ever Ready; what is happening at London Brick, which is foregoing price rises to rebuild market share, is anybody's guess. Over there, a tremendous performance by SCM's titanium oxide business, and a return to profit by its typewriters, still left the old US acquisitions less than 10 per cent ahead in local currency terms.

The prime improvement comes, not at the operating level, but in the catchall line, which shows a £30m swing: the interest on the UK cash balances comfortably exceeded the payments on the US dollar acquisition debt, but that still leaves more than £10m to be conjured out of dealing in helicopters or property or whatever.

It could be that with the sheer volume of Hanson equity and convertible paper about in London, its management consider the institutions need Hanson as much as vice versa; and that these must be content with a wrapped management package, which is said to be worth having and will not explode. However, there are enough danger signals in these figures to suggest that this may be risky in London, never mind among ADR investors in New York.

Mercury

There is not much mystery about Mercury's $200m swoop on the floating rate note market. However keen the group may have been to get through on the inner strengths of its balance sheet, it has looked to most outsiders that a serious intake of capital would be needed before the integrated securities business could get into full swing. Nobody can sensibly calculate how heavily the overheads of the stockmarket firms are going to weigh on the Mercury profit and loss account over the next couple of years, but a cushion of reasonably priced long-term capital will help to ensure that the group can stand the strain.



By the standards of the major American investment banks, Mercury's balance sheet is still on the small side after yesterday's issue, and it is still not going to be in the markets as a principal on the same scale as Salomon Brothers. But increasing the capital base to something in excess of £500m ensures that there is no risk of Mercury being dismissed as a lightweight. And in markets which are moving the right way, such as the international equity placings in which Mercury has been at work lately, the newly acquired borrowings could give a noticeable lift to returns on Mercury's rather narrow base of existing equity.

Norcros

So far the sum of the parts of the Norcros/UBM alliance does not add up to a larger whole. If anything UBM made slightly less under new management in the year to March, while the advance from Norcros' own business came mainly from parts unhelped by adding in a builders merchant. Group pre-tax profits rose 31 per cent to £45.1m. But at least the deal has done no real harm with earnings per share edging ahead, though shareholders' funds – à la Hanson Trust – slipped under the weight of a £47m goodwill write-off. And Norcros had made no extravagant claims for the speed with which benefits would materialise.

Meanwhile, Norcros has come to the conclusion that two legs – building materials and printing and packaging – are better than any other configuration, relegating heavy engineering to the status of an appendage which should be removed. Those businesses have been put into saleable shape, but making a profit on the £8m book value looks unlikely. Loss elimination and some organic growth should push up profits by perhaps 15 per cent this year. Solid rather than dynamic stuff. With a lower tax charge, the prospective p/e is around 10 on the shares at 280p, down 2p yesterday, which is not looking for any fireworks.

Clayform

Property companies capitalised, like Clayform, at around four times their net asset value are never likely to be numerous. The premium can only be a tribute to management, and since it gets harder to sustain growth as it proceeds, an eventual return towards asset value is only to be expected.

Clayform's acquisition of Samuel Properties for £86m is a deal through which its shareholders will hope to defy gravity for a while longer.

Without the strongest of market confidence behind the deal, for Clayform to pick up a property book nearly 20 times its own size would risk being instantly reduced to the average rating of the whole. As it is, Clayform is looking to the enlargement of its asset base to keep the growth going. With more muscle, it can go solo on larger developments and hold out for better terms when it does go in with institutional partners.

The proposition is that instead of being limited by its lack of size, when it was stretched to undertake £50m developments on a market capitalisation of half that amount, Clayform will now be able to carry on at the same hectic pace as before. Clayform is still small enough after the Samuel deal for this to be credible, but it is the sort of growth on which simple geometry takes an eventual revenge.

Israeli bank faces criminal charges

By Andrew Whitley in Tel Aviv

CRIMINAL CHARGES are to be brought against United Mizrahi Bank, Israel's fourth-largest commercial bank, and Mr Aharon Meir, its former managing director, as a result of the 1983 bank shares manipulation scandal, the Justice Ministry has announced.

Formal indictments are being prepared against Mizrahi and Mr Meir alleging, among other things, that before the stock market collapse of October 1983, loans were provided to customers on condition that shares in the bank were bought as collateral. In October 1983 the share price bubble burst, and the Government was forced to step in to guarantee the banking system, at a potential cost to the Treasury of over $6bn.

Mr Meir said last night: "I am sure that we acted correctly, in the best interests of the bank, and to my knowledge we have not violated any laws." He added that, when the case came to court, he was sure they would be vindicated.

The ministry said on Monday that its investigation was continuing into the possibility that the country's second and third-ranked banks – Hapoalim and Israel Discount – had possibly committed criminal offences. All three, together with Bank Leumi le-Israel, the leading private bank, were severely censured by the independent Beijsky Commission's report into the share scandal in April.

Mr Meir stepped down last month from his position as managing director of Mizrahi, which is ultimately owned by the National Religious Party. This followed the Beijsky Commission's recommendations that all top bankers said to have been involved in artificially boosting the value of their own companies' shares over a seven-year period should be banned for life from Israeli banking.

In his resignation letter Mr Meir bitterly criticised what he said was the unfairness of the commission's findings, particularly with respect to himself and his bank. He said he had actively tried to halt the share value rigging but had been prevented from escaping from the scheme for commercial reasons.

In its statement the ministry also referred to misleading advice which Mizrahi was said to have given to its customers immediately before the share collapse, allegedly inducing them either to buy the bank's shares or else refrain from selling those they already held.

Last year Mizrahi reported improved profits of $3.9m and said it had total assets of $190m.

The possibility that criminal charges could be brought against some, or all, the individuals and institutions involved in the share scandal was raised by the Beijsky Commission.

FINANCIAL TIMES
Wednesday June 4 1986

Libyans 'not ready' to sell interest in Fiat

BY JAMES BUXTON IN TURIN

FIAT chairman Mr Gianni Agnelli said yesterday that there were no negotiations in progress between the Italian motor and industrial group and the Libyan Government on a possible sale of the Libyan stake.

Mr Agnelli, speaking after the group's annual meeting in Turin, said that if the state-owned Libyan Arab Foreign Investment Company (Lafico) sold its 15 per cent stake in Fiat, "we would be very happy." But Fiat had only made "hints" to the Libyans about selling their stake, and the company was not in a position to do any "arm twisting."

"They tell us: We are not ready to sell; we don't want to sell." Any decision to sell depended on the "internal situation in Libya," he said.

The question of the Lafico stake has become a major issue for Fiat recently. Last month Mr Caspar Weinberger, the US Defence Secretary, suspended a $7.9m contract between Fiat's earthmoving equipment subsidiary Fiatallis and the US Defence Department, on the grounds that part of the profit from the deal would reach the Libyan Government.

As the Italian Government continued to expel Libyan diplomats and officials from Italy, including the manager of the Lafico office in Rome, the question has become steadily more embarrassing. Libya bought into Fiat in 1976 amid considerable rejoicing in Italy at a time when the group's fortunes were at a low ebb.

Mr Agnelli pointed out that IFI, the holding company controlled by the Agnelli family, was prepared to buy back the Lafico stake, which is now worth about $2bn.

He said Fiat's legal advisers in Washington were working on the Fiatallis question and Fiat believed they might be able to reach a satisfactory solution.

Asked whether Fiat's chances of winning a contract under the US Strategic Defence Initiative (SDI) programme were affected by the Libyan stake in Fiat, Mr Agnelli said the company could not win any contract until the Italian Government signed an agreement with Washington. "Then we would have to see if we were accepted. I think we would be," he said.

Fiat had no power to make the two Libyan directors of Fiat, one of whom is a member of the executive committee, leave the board. "If they felt that their presence was damaging to Fiat, they might decide to leave," he said.

There was nothing the Italian Government could do to end the Libyan presence in Fiat. Any form of nationalisation of the Libyan stake was "neither conceivable nor legal nor logical nor ethical," he said.

Mr Agnelli forecast a rise in the Fiat group's turnover to about L30,000bn ($19.23bn) this year compared with last year's L27,101bn. Cash flow – profits plus depreciation – would amount to about L3,300bn compared with L2,900bn in 1985.

Debt should come down to about L1,000bn from the 1985 level of L2,384bn. Both Fiat SpA, the parent company, and the group would produce increased profits. Last year group profits reached a record level of L1,226bn on a consolidated basis.

All Fiat's principal subsidiaries closed in profit except for its thermo-engineering subsidiary, Fiat TTG, which made a loss of L4bn on sales of L180bn in 1985.

Shareholders approved a rights issue of new savings shares which will bring in L1,125bn in new funds. The new shares, which do not carry voting rights, will be issued at a price of L5,000 each made up of L1,000 nominal value and L4,000 premium.

A&P offers $64m for Shopwell

By Our Financial Staff

GREAT Atlantic and Pacific Tea, the sixth largest grocery chain 52 per cent owned by Tengelmann Group of West Germany, has agreed to offer $31 a share for Shopwell, a US retailer, in a deal valued at about $64m.

Following a tender offer for Shopwell's outstanding stock, the remaining shares will be acquired in a merger at the same price.

Great Atlantic said separate agreements had given it the commitment of holders of about 25 per cent of Shopwell to tender their shares. Another holder had granted Great Atlantic an irrevocable proxy to about 12 per cent of the company's shares.

The agreement with Shopwell has been approved by directors of both companies.

Great Atlantic said it would be responsible for any New York State real property transfer gains tax applicable to the transaction. The merger is subject to relevant waiting periods under the Hart-Scott-Rodino Act.

Shopwell's stock traded at $30.50 a share on the American Stock Exchange yesterday before trading was halted pending the announcement.

Mr Jay Rosengarten, chairman, and Mr Glen Rosengarten, president, along with other Shopwell personnel, will remain after the merger.

Shopwell operates stores, food emporium stores and three Value Centre stores in the metropolitan New York area, along with two distribution centres and a dairy. It had sales of $464m in 1985.

Great Atlantic operates 1,045 stores in 28 eastern, southern and midwestern states and Canada. It had sales of $6.5bn in its latest fiscal year.

Elf first-half profits edge up to FFr 3bn

BY PAUL BETTS IN PARIS

ELF-AQUITAINE, the French state-controlled oil group, expects to report a small rise in first half net consolidated profits to FFr 3bn ($405m) this year compared with FFr 2.9bn last year. The oil group, which also ranks as France's largest industrial concern, reported earnings of FFr 5.3bn for the whole of 1985 compared with FFr 6.5bn the year before.

Mr Michel Pecqueur, chairman, yesterday confirmed the advanced merger talks between Elf's Norwegian subsidiary and Saga, the Norwegian oil company. He indicated, however, that Elf would find the Saga merger less attractive if the French oil company failed to secure special privileges from the Oslo authorities for the merged companies.

Mr Pecqueur said Elf had pulled out of negotiations with Statoil, the Norwegian state oil company, over a long-term contract for gas supplies from the Sleipner field. This followed the major gas sales agreement between Norway and four European gas utilities including Gaz de France.

But Mr Pecqueur said Elf planned to remain in the gas distribution business. It was negotiating a similar supply contract with Gaz de France involving initially 4.5bn cubic metres a year, eventually rising to 6bn cubic metres a year. The group is looking for new gas supplies to offset the decline of its giant Lacq gas field in south-west France.

Mr Pecqueur said he expected all Elf's business sectors, including refining and chemicals, to be profitable this year.

However, the decline in oil prices had forced the company to cut its exploration budget by 25 per cent and its development budget by 15 per cent this year. Mr Pecqueur warned that it could be forced to make even bigger cuts next year if the general oil market situation did not improve.

Elf is expected to be among the first state groups to be affected by the French Government's privatisation plans. Initially, the Government plans to reduce its stake from 67 per cent to just over 50 per cent. Mr Pecqueur suggested that this operation would take place soon and was unlikely to cause any problems.

But he emphasised that Elf was keen to draw whatever financial and industrial benefits it could from privatisation. At the same time, he said he felt that in the subsequent privatisation phase it would still be necessary to maintain a strong and stable hardcore shareholder. He suggested it was highly unlikely that a large French investor could replace the state in this role

Holland America boosted by US terrorist fears

BY LAURA RAUN IN AMSTERDAM

HOLLAND AMERICA Line, the Bermuda-based cruise and tour operator, has raised its 1986 profit forecast for the second time in a month and now expects to earn $35m – 40 per cent up on last year and the highest since 1980.

Holland America has also announced that it will redeem the outstanding shares of a convertible preferred stock offering made last year, due to the surge in its listed share price.

The main reason for the company's good fortune is that US tourists are staying at home for holidays because of fears about terrorism. This is providing a boon for Holland America's cruises in the Caribbean and on the north-west coast of North America, as well as its tour packages.

Holland America has rebounded from a $26m loss in 1983 by renovating its ship fleet, mounting an intensive marketing campaign amid stiff competition and improving the links between its cruises and on-shore tours.

The picturesque "inside passage" waterway between Vancouver and Alaska has provided an opportunity to link cruises with fishing, sightseeing and hiking. Holland America was appointed official cruise-tour operator for Expo '86, the world fair in Vancouver.

The company's share price has soared by 56 per cent to $352 from $225 at the time of the convertible preferred stock offering in November 1985.

The shares, which are convertible into Class B shares and trading at $350, will be redeemed for $297.10 each until July 18, compared with an issue price of $249. Class B shares carry one voting right instead of the 10 for each common share.

Holland America was founded in 1873 in Rotterdam to ferry European emigrants across the Atlantic to the US and became a trust in 1977.

Hoechst warns of decline in earnings

By Jonathan Carr in Frankfurt

HOECHST, the West German chemicals concern, expects lower operating earnings this year than last after a cut in parent company sales revenue of 6 per cent to DM 6.2bn ($2.71bn) in the first five months.

Mr Wolfgang Hilger, chief executive, stressed that a "good" net profit was still expected though, thanks not least to special factors such as reduced transfers to reserves compared with 1985.

Last year Hoechst – like its key domestic rivals Bayer and BASF – again produced buoyant results, raising world pre-tax profit by 10.7 per cent to DM 3.16bn and boosting its dividend to 20 per cent from 18 per cent.

So far this year the company has been hit both by the fall of the dollar, which reduces US sales revenue and earnings in D-Marks, and by the drop in the oil price. This has led customers to postpone purchases in the hope chemical products will become still cheaper.

Mr Hilger said, however, that Hoechst expected more buoyant sales in the second half, thanks in particular to the robust condition of the domestic economy. He noted that while export turnover was down by 10 per cent so far this year, domestic sales revenue was about equal to the 1985 level.

Reliance joins battle for John Blair group

BY WILLIAM HALL IN NEW YORK

RELIANCE Capital Group, a private investment partnership, has stepped into the battle for John Blair, the New York-based communications group, with a friendly offer which values the company at more than $300m.

Under the terms of an agreement which has been unanimously approved by Blair's board of directors, Reliance will proceed with a cash tender offer for 8m shares, or 70 per cent of the equity, at $27 per share. The tender offer will be followed by a second step in which each remaining Blair share will be exchanged for a 15-year junior subordinated debenture to be issued by the corporation surviving the merger. In addition, Blair will distribute the common equity of its troubled Advo-System direct mail subsidiary to its shareholders.

Mr Jack Fritz, chief executive of Blair, says he is very pleased with the deal. "These two transactions will provide our shareholders superior value to the highly conditional offer of MacFadden Holdings," which had earlier offered $25 per share cash. John Blair shares rose $1 to $27⅞ in earlier trading yesterday.

Reliance Capital has received a letter from Drexel Burnham Lambert, which states that, based on current conditions, Drexel is "highly confident" that it can obtain commitments for the purchase of securities to finance the offer.

The principal amount of each debenture to be offered in the deal will be determined by a formula based on the time between the purchase of shares under the tender offer and the merger. Assuming that the interval is six months, the principal amount of each debenture would be $50.44. The debenture will pay no interest for five years and thereafter will pay interest quarterly at the rate of 12 per cent.

Gulf & Western ahead

BY OUR FINANCIAL STAFF

GULF & Western, the US entertainment and communications group whose earnings have risen sharply following a restructuring, has lifted its second-quarter net earnings from continuing operations to $43.7m or 73 cents a share, from $24.9m or 35 cents.

The 1985 period excludes net income from discontinued operations of $28.9m, which lifted final net profit to $53.8m or 76 cents a share. For the first six months ended April 30, net earnings from continuing operations were $79.9m or $1.28 a share against $49.4m or 70 cents.

Sales for the first six months rose from $1.6bn to $1.7bn, and from $837m to $863.9m in the latest quarter.

The company said the latest rise in earnings was matched by significantly increased gains in profits from entertainment operations, largely as a result of the substantial improvement in Paramount's motion picture activities.

In financial services, Associates Corporation of North America continued increasing its consumer lending and registered a "strong increase" in operating income, due partly to lower interest rates.

Royal Bank profits rise

BY ROBERT GIBBENS IN MONTREAL

A SHARP rebound in foreign earnings helped the Royal Bank of Canada to post higher year-to-year profits for the second quarter and first half of fiscal 1986.

In the first half ended April 30 Royal Bank had net profits of C$283.5m (US$191m) or C$2.27 a share, against C$226.4m, or C$1.98 a share a year earlier. Average shares outstanding were 101m against 96m.

Second-quarter earnings were C$125.1m, or C$1.05 a share, against C$100.3m, or 85 cents, a year earlier. Total assets at April 30 were C$97.5bn up C$4.8bn, with strong growth in personal loans and mortgages and a higher value of US dollar assets when converted into Canadian dollars.

The bank has raised its estimate of overall loan loss experience for fiscal 1986 to C$850m from C$800m made in the first quarter. A further C$275m has been provided for the energy sector.

The Royal's return on assets for the first half was 0.55 per cent, up five basis points, and in the second quarter 0.53 per cent, up 9 points. Lower domestic returns were offset by gains in international operations

Wereldhave bids for BBVG

WERELDHAVE, the Dutch-based international property fund, has officially launched its public bid for the remainder of Binnenlands Beleggingsfonds Vast Goed (BBVG) a smaller, domestic Dutch property fund, Laura Raun writes from Amsterdam.

Under the offer which expires on June 23, Wereldhave will directly exchange four of its shares for five BBVG shares. The offer price will be based on the net asset values per share, which are Fl 156 for Wereldhave and Fl 126 for BBVG.

Wereldhave, whose Fl 1bn ($385m) property portfolio spans the globe, is looking to strengthen its investments in its home market by acquiring BBVG through the friendly takeover. BBVG's portfolio amounts to Fl 118m.

H. J. Joel rights issue plan

By Kenneth Marston in London

DETAILS have been announced of the rights issue to finance the new R570m ($250m) H. J. Joel gold mine in South Africa's Orange Free State which adjoins Gencor group's Beatrix mine. The newcomer is owned by Johannesburg Consolidated Investment (45 per cent), Anglo American Corporation (10 per cent) and Randfontein Estates (45 per cent).

Johannesburg Consolidated and Anglo American are to take up their full entitlements to the issue of H. J. Joel Gold Mining linked units. The entitlement of Randfontein is being offered to the latter's shareholders on the basis of one unit for each share held.

The new units are to be offered at a price of R30 each. They comprise five shares of H. J. Joel plus one option to purchase a further share at 600 cents at any time next year and a second option to purchase another share at the same price in 1988.

The renounceable offer applies to holders of Randfontein registered on June 27, but not to those resident in North America. Johannesburg and London stock exchange listings are being sought for the renounceable allotment letters, shares and options.

S.G.Warburg parent taps markets

BY DAVID LASCELLES, BANKING CORRESPONDENT

MERCURY International Group of the UK, parent of the S.G. Warburg merchant bank, yesterday tapped the international capital markets for the first time with an issue of notes designed to raise $200m.

The fund-raising exercise comes at a time when Warburgs is undergoing a major restructuring in anticipation of the so-called Big Bang in the British markets and expanding its operations in foreign financial markets.

The issue coincided yesterday with the start of Warburg's trading on the Tokyo stock exchange, where it is one of the first foreign firms to gain membership.

Mr David Scholey, MIG's chairman, said "This first issue of loan capital by our new group will give us additional capital resources in a form to be readily and flexibly deployed in the expansion of our various businesses."

The issue is in the form of 20-year floating rate notes whose rate of interest will be set every six months on the basis of ¼ per cent over Limean, midway between bid and offered rates in the London interbank market. The notes were priced at 100, with front end commissions of 0.85 per cent. The issue, which is being managed by a group of major international banks organised by S.G. Warburg, was said by dealers to have had a good reception. It was increased from $150m.

MIG settled for a note issue in the Euromarkets rather than a rights issue for its first major capital-raising largely because it is not clear at this stage how much it needs in the way of new resources. The group's borrowings are also small.

The issue will leave MIG with about £465m ($685.4m) in capital, not including undisclosed inner reserves. This places it at the upper end of the British merchant banking league, though some way behind the larger foreign investment banks with which it is preparing to compete in the international markets.

Alberto-Culver hopes for international upturn

BY OUR FINANCIAL STAFF

ALBERTO-CULVER, the US toiletries and household products group, expects a "dramatic return to profits" in its international operations this fiscal year after losses last time.

Mr Leonard Lavin, chairman and chief executive, said in London yesterday that the international division made up about 25 per cent of the company's $369m annual sales in the year ended September 30, and is expected to make a bigger contribution in the next few years.

However, the strength of the dollar last year, and devaluations in the Mexican peso, caused significant losses, exacerbated by management problems in Australia and the Netherlands.

Mr Lavin said the problems were now mostly "behind us," and the company expected a 19 per cent increase in international sales this year as the dollar had weakened.

This would outpace projected sales increases of 4 per cent in the domestic toiletries and household/groceries divisions. Sales in the latter segment have been boosted by the success of Mrs Dash salt-free condiments.

Alberto-Culver, whose shares have risen sharply in recent years and stood at $24 on Monday, reported net earnings from continuing operations of $7.9m last year, up from $6.3m a year earlier. A loss-making shoe business was sold last year and the company would like to sell its Phillippe leather handbags division, where it has recently struggled to reduce losses.

Satisfactory results expected at Hochtief

FINANCIAL TIMES REPORTER

HOCHTIEF, the big West German construction group, expects earnings for 1986, to be satisfactory following a 15 per cent setback to after-tax profits last year.

The group experienced a sharp drop in foreign demand during the early part of this year, and it says orders and building output for the first five months show a slight fall.

Hochtief declines to make a firm profits forecast for 1986 but says earnings per share are likely to emerge in line with the DM 100 ($43) notched up in 1985.

Net profits last year fell to DM 192.7m from DM 227.2m, despite a rise in construction output from DM 4.89bn to DM 5.28bn. The company is paying a maintained DM 10 a share dividend plus another DM 2 bonus.

Hochtief describes the 1985 performance as good, considering difficult market conditions at home and abroad. The results were burdened by losses at Streif, a group of construction companies which accounted for most of the DM 62.2m in losses that Hochtief had to assume last year. For 1984 these losses totalled DM 38.4m.

The Streif companies have now been largely streamlined, but further job losses have not been ruled out. The Streif workforce fell from 2,000 to 1,500 last year.

The first five months of 1986 have seen construction output of DM 1.98bn and incoming orders of DM 2.15bn, both slightly less than in the same 1985 period. Foreign demand has lapsed because many traditional customers – notably in the Middle East – are suffering form debt and hard currency problems as well as lower revenues.

Domestic business so far this year is disappointing, the company says. Domestic incoming orders in the five months total DM 1.36bn, slightly below the same 1985 period and below initial budgets.

Hochtief describes itself as fortunate that only 10 per cent of domestic activities centre on home-building, the hardest-hit area of the German construction industry. About half of domestic building is in more buoyant commercial and industrial business.

Peoples Jewellers raises bid for Zale

BY WILLIAM HALL IN NEW YORK

PEOPLES JEWELLERS, the Canadian jewellery group, has again increased its bid for Zale, the world's largest fine-jewellery retailer, valuing the entire company at $564m.

Peoples Jewellers, which has a 15 per cent stake in family-controlled Zale, has increased its bid by a dollar to $46 a share and the cash element from $38 to $42 a share. The balance of the price is being offered in the form of a preferred stock equivalent to $4 per Zale share.

Peoples Jewellers, Canada's second-largest jeweller but a fraction of the size of Zale, has held a stake in Zale since 1981. It made a bid of $40 per share in February and increased its offer to $45 a share in March.

Both bids were rebuffed by Zale which subsequently announced a major restructuring of its business in a bid to improve its lacklustre financial performance. The restructuring has led to a writedown of inventories and resulted in a $61.1m loss.

Yesterday Zale said the latest offer was inadequate and the company would submit the bid to its directors with the strong recommendation that it be rejected.

Mr Irving Gerstein, president of Peoples Jewellers, said his proposal was a "better means of maximising shareholder value than the so-called restructuring plan."

IBM buy-back

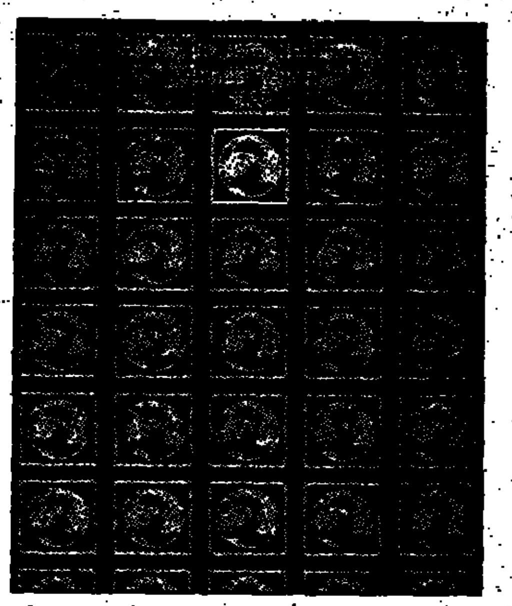
IBM is to buy back up to 10m of its shares at prices no higher than the prevailing market price. Because of an omitted word, an article published on May 29 gave an incorrect suggestion of the price IBM plans to pay.

LADBROKE INDEX
1,219-1,225 (+7)
Based on FT Index
Tel: 01-427 4411

North American Companies

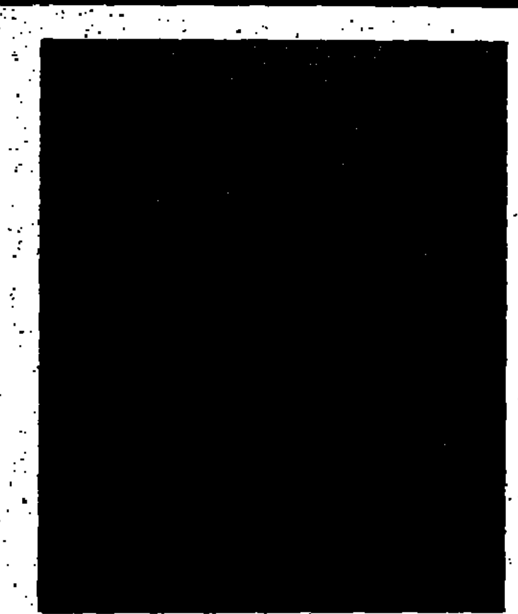
Investors Update 1

Part of 2½ page series appearing on June 4th and June 5th.



AMCA International Ltd.

AMCA International is engaged worldwide in designing, engineering, manufacturing, marketing, installing and financing a broad range of industrial products, including machine tools, construction equipment and construction services. AMCA's common stock is traded on the New York, Toronto and Montreal Stock Exchanges. Ticker symbol AIL. In 1985 the 104-year-old company had sales of $1.6 billion with net income of $17 million. AMCA entered 1986 with $700 million in backlog, a 26 percent gain over 1985.

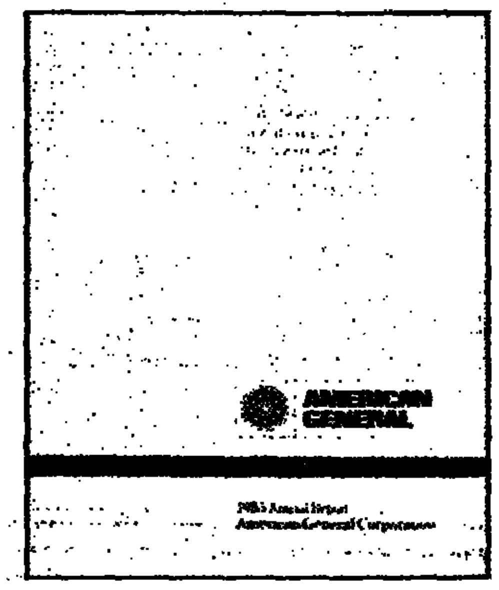


American Barrick Resources Corp.

Barrick has interests in five North American gold mines which have an annual production of approximately 300,000 ounces of gold at an average cash cost of US$200 an ounce. Of this production, approximately 200,000 ounces accrue directly to Barrick. In addition, Barrick is assessing a potential sixth mine, the McDermott, and results to date indicate a future production level of about 100,000 ounces per annum.

American Express Company

American Express reported record earnings of $810 million for 1985, a 33 percent increase over 1984. Its businesses include the charge card, Travelers Cheque, travel, life insurance, international banking, brokerage, investment banking, personal financial planning and asset management industries. Operating in 130 countries, American Express stands ready to fulfill its "Blueprint for the Blue Box"—to be the world leader in financial and travel services—through uncompromising allegiance to its most important marketing decision-maker...the customer.



American General Corporation

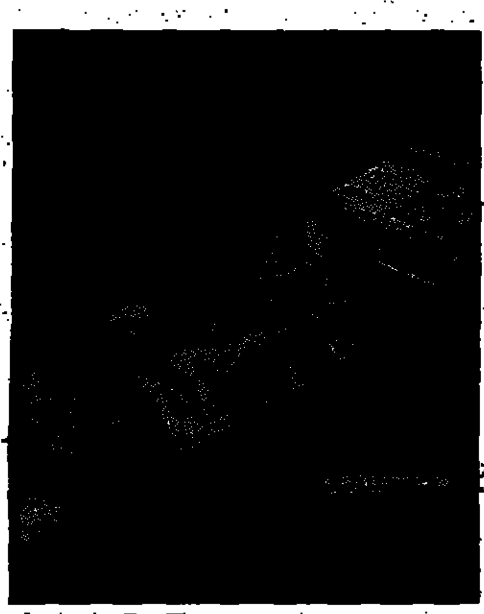
American General Corporation is one of America's premier insurance-based financial services organizations. The company finished 1985 with $20.7 billion in assets, $3.9 billion in shareholders' equity, and $466 million in operating earnings, capping a decade of remarkable growth. During this ten-year period the total return to shareholders averaged over 28% per year.

Ameritech

Ameritech is the leading supplier of communications products and services in America's heartland—Illinois, Indiana, Michigan, Ohio *and Wisconsin.*

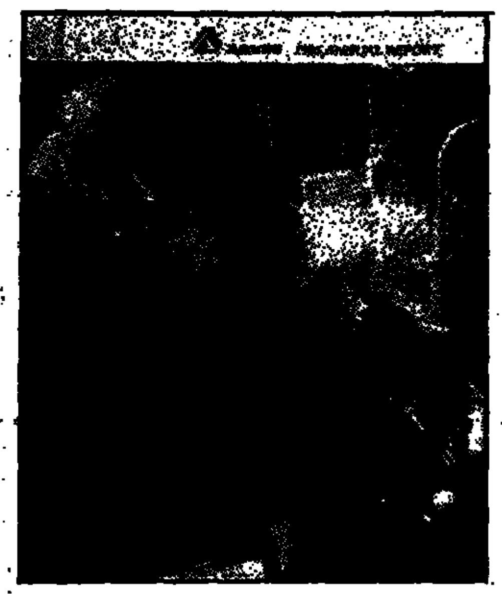
Its five Bell companies serve more than 11.4 million customer accounts primarily in major Midwest population centers. Its other subsidiaries are leaders in cellular mobile phone service, Yellow Pages, communications equipment and systems software. Their markets are worldwide.

Ameritech's 1985 earnings rose 8.8% to $1.07 billion on revenues of over $9 billion.



Ametek, Inc. (NYSE-PSE: AME)

AMETEK strengthened its position in the industrial/scientific instrumentation market through its 1985 purchase of Panalarm, a worldwide leader in process monitoring instruments; other acquisitions during the year provide AMETEK with an entry into fiber optics, composite materials, and CAD/CAM design through its purchase of *Houston Instrument*, the leading producer of computer driven graphics plotters. Managed to maximize cash flow and return on investment, AMETEK generated the highest cash flow in its history—*$70.7 million*—from its *1985 sales of $505* million.



Arvin Industries, Inc.

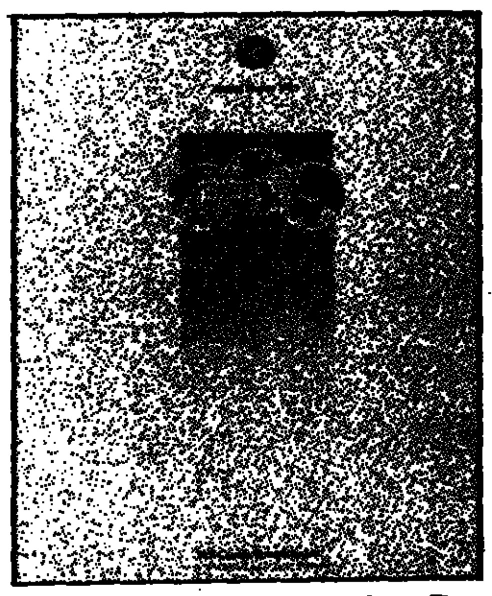
Arvin Industries, Inc. is an international *Fortune* 500 company serving the automotive, electronics and government research *markets. In 1985, Arvin achieved record sales of $821 million and* net earnings of $35.9 million, or $2.21 per share.

With plants and offices in the U.S., Canada, West Germany, France, Japan, Taiwan, Mexico, Brazil, India and Australia Arvin is committed to being a successful competitor in the international marketplace.

This year, Arvin will begin construction of a plant in Viersen, West Germany, which will manufacture catalytic converters and stainless steel tubular manifolds for European automobile companies.

Bank of Montreal

Bank of Montreal, the second largest bank in Canada, ranks 29th in the world with assets of C$82.4 billion. It operates in fifteen countries including the key financial markets of London, New York and Tokyo. With Harris Bankcorp, Bank of Montreal offers a complete range of banking services in Canada and the United States. 1985 net income was $339 million ($3.75 per common share). Dividends have been paid continuously since 1829.



Bell Canada Enterprises Inc.

BCE is a management holding corporation whose subsidiaries and associated companies are major providers of telecommunications services in Canada, as well as leaders in the manufacture and supply of telecommunications equipment in North America and worldwide, and in natural gas transportation and natural resources operations.

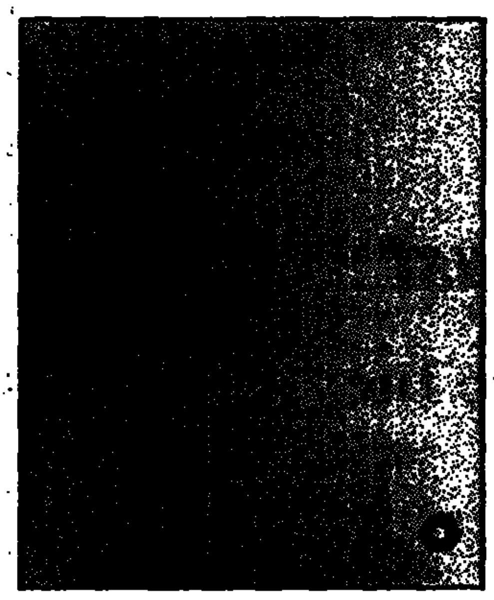
BCE is also a major provider of international telecommunications consulting services, and is engaged in printing, packaging and publishing, real estate and other fields.

Net income applicable to common shares was Cdn.$1,009.0 million in 1985, up 12.8 per cent from 1984. Earnings per share in 1985 were Cdn.$4.23 per share, compared with *Cdn.$4.03 in 1984.*

BCE common shares are listed on stock exchanges in Canada, the United States, Japan and Europe.

Brush Wellman Inc.

The Company has achieved a strong growth record, with an average annual growth rate for sales from continuing operations of 19 percent for the last 10 years. The average growth of net income from continuing operations was 40 percent. Brush Wellman is a leading supplier of beryllium and specialty engineered materials used in high reliability applications in aerospace, automotive, computers, electronics, telecommunications and other key industries.



Comdisco, Inc.

Comdisco is engaged in the trading and leasing of new and used IBM computer equipment and many other types of general high technology equipment. The Company owns or controls $6 billion of equipment and finances over $1 billion of new equipment yearly. Through subsidiaries, Comdisco also provides disaster recovery back-up for computers as well as installation, de-installation, modification, and maintenance services. Other subsidiaries are in the oil and gas business and engaged in the risk arbitrage of securities in merger/acquisition situations. Comdisco's net earnings grew to $57.5 million ($2.12 per share) in fiscal 1985 from $29.7 million ($1.05 per share) in fiscal 1984.

Communications Satellite Corp.

COMSAT Corporation provides satellite-based communications services and products to the international, maritime, domestic and defense/government markets. COMSAT offers a variety of specialized services and networks for domestic and international customers, including high quality video networks; international private networks; and telecommunications products and consulting services to business, government and defense.

1985 Operating Revenues for COMSAT reached an all-time high of $459 million, with an Operating Income of $104 million.

Please send me the following Annual Reports:

☐01 AMCA International Ltd.
☐02 American Barrick Resources Corporation
☐03 American Express Company
☐04 American General Corporation
☐05 Ameritech
☐06 Ametek, Inc.
☐07 Arvin Industries, Inc.
☐08 Bank of Montreal
☐09 Bell Canada Enterprises Inc.
☐10 Brush Wellman Inc.
☐11 Comdisco, Inc.
☐12 Communications Satellite Corporation

"I also want these annual reports which will be featured on June 5th."

☐13 CrossLand Savings
☐14 CSX Corporation
☐15 Dart & Kraft, Inc.
☐16 Elbit Computers
☐17 Engelhard Corporation
☐18 Federal-Mogul Corporation
☐19 Georgia-Pacific Corporation
☐20 Iomega Corporation
☐21 Loblaw Companies Limited
☐22 Magna International Inc.
☐23 Maryland National Corporation
☐24 Masco Corporation
☐25 Masco Industries
☐26 McDonald's Corporation
☐27 PacifiCorp
☐28 R.J. Reynolds Industries, Inc.
☐29 Royal Trustco Limited
☐30 Sara Lee Corporation
☐31 Sears, Roebuck and Co.
☐32 The National Guardian Corp.

Name ______________________

Position ______________________

Company ______________________

Address ______________________

____

Country ______________________

Please return coupon by July 31, 1986.

To: Colin Tennant, Financial Times
Bracken House, Cannon Street, London EC4P 4BY, U.K.

Or: Susan Basedow, Financial Times
14 East 60th Street, New York, NY 10022, U.S.A.

INTERNATIONAL COMPANIES and FINANCE

ACI discloses 2% BHP shareholding

BY LACHLAN DRUMMOND IN SYDNEY

ACI INTERNATIONAL, the Australian glass and building products group, yesterday revealed it had laid out A$211m (US$148.5m) in buying a 2 per cent shareholding in Broken Hill proprietary in the closing days of Bell Resources' $3.6bn offer for BHP.

The 24.9m BHP shares were assembled from mid-April although the average price of A$8.45 suggests the bulk came just ahead of the May 27 close of the Bell bid. This was when the New Zealand-backed Equiticorp Tasman was building its 5 per cent holding in BHP.

Equiticorp owns 18 per cent of ACI, which it was seeking to takeover. But it withdrew the offer last month. This was because of a linkage it saw between the future of its battle for ACI and the assault on BHP, which had itself assembled a holding of some 7 per cent in ACI as a counter to Equiticorp.

Equiticorp made it plain that it sought to buy into the BHP battle in order to give itself leverage over the BHP board — whatever its make-up — on the future of its ACI holding.

While the BHP purchases by ACI are being viewed in the market as falling within the friendly "defensive" camp, in the highly charged takeover atmosphere, the buying is also seen as giving ACI a degree of leverage over BHP as insurance on the company's holding in ACI.

Bell Resources ended with 29 per cent of BHP, meaning that each percentage point of BHP equity has gained in strategic value given the balance of forces.

Elders IXL has 19 per cent of BHP, while BHP in turn has bond and preference shares convertible to 20 per cent of Elders—with other BHP friends holding 10 per cent or more.

The pivotal position of Equiticorp has raised market suggestions that any of BHP, Elders, Bell or ACI may bid for Equiticorp in order to neutralise or maximise the strategic worth of its holdings in BHP and ACI.

Mr David Brydon, the ACI managing director, said yesterday: "This investment has been made by ACI as a part of an ongoing commercial relationship between the two companies who have common interests in many areas."

Kuwait to allow foreign listings

BY KATHY EVANS IN DUBAI

THE KUWAIT stock market has announced that it is to allow foreign stocks to be listed on the exchange, and that non-Kuwaitis will for the first time be allowed to trade in them.

The move is welcomed by some analysts as a way of widening investment opportunities available for local investors. In the past, the country's financial problems have been caused by too much money chasing too few stocks.

However, the Government's move is also seen as an attempt to reactivate a gloomy stock market where prices are continuing to fall and trading is thin.

Foreign investment advisers in the Gulf commented that, while Kuwait might have some geographical advantages in being halfway between London and Far East time zones, few foreign companies would be interested at this stage in being listed there. "It is something to look at in, say, three to five years' time," said one, "but first, the Kuwaitis have to put their house in order."

The analyst was referring to the decline in confidence felt since the crash on the Souk al Manakh stock market in 1982, caused by the absence of government control over share dealing.

Some observers felt that the new law issued by Mr Jassim Khorafi, Finance Minister, appears to be targeted more at the Arab companies currently listed on the Amman exchange. Kuwait would obviously like to transfer some of this activity to its own moribund market, partly because of the large numbers of foreign Arabs resident in Kuwait.

Local financial observers said, however, that many Arab expatriates were so uncertain about their future in Kuwait that it was unlikely that many would be interested in ploughing their savings into the Kuwait market.

Kuwait finance officials also announced that the ministry would again allow forward trading in shares on the stock market. Forward transactions were largely responsible for the crash four years ago, but in the new market such dealings would be restricted to 25 per cent above the spot price.

Local investment consultants considered this decision "unwise and dangerous" at this stage of the market's development. "The stock market has to have more teeth and more staff to control the exchange properly. At the moment, the rules are very general in nature and insufficient to control market activity promptly when it is needed," said one.

Kubota cuts dividend as profits plunge

By Our Tokyo Staff

KUBOTA, Japan's top maker of agricultural machinery, suffered a 27.4 per cent drop in pre-tax profits to Y19.11bn ($109m) in the year to April.

Net profits were down 26.9 per cent to Y10.41bn, on sales of Y587.51bn, a bare 0.3 per cent lower. It is to cut its dividend by Y1.25 to Y6.25 a share for the year, blamed on the impact from the yen's steep appreciation.

Domestic sales rose 3 per cent, while exports fell by 12 per cent to account for 19 per cent of total turnover.

For the current year, Kubota expects a continued slide in sales overseas but steady domestic demand. Overall sales are projected at Y600bn but pre-tax profits are expected to fall 5.8 per cent to Y18bn under the impact of the strong yen.

Kubota expects a further dividend cut to Y5.

Japan drug sector results mixed

BY YOKO SHIBATA IN TOKYO

A MIXED earnings performance has been reported by Japan's seven major pharmaceutical companies in the year to March. The main factor in the disparity was the reception given to new products and the degree to which each market has been affected by the price cuts imposed by the Ministry of Health and Welfare.

JAPANESE PHARMACEUTICAL COMPANIES
Parent company results, year to March 1986

	Sales		Pre-tax profits		Net profits	
	Ybn	Change %	Ybn	Change %	Ybn	Change %
Takeda	477	+ 0.4	50.89	+12.6	20.13	+ 8.9
Sankyo	257	+ 5.6	24.67	+ 0.6	8.66	− 3.4
Shionogi	195	+ 5.6	23.49	+14.9	8.88	+ 9.5
Fujisawa	170	−13.6	16.92	−23.9	5.44	− 9.8
Eizai	138	+ 1.7	14.94	−5.7	4.99	+ 2.5
Taisho	113	+ 2.6	30.07	− 1.5	16.38	+10.9
Daiichi Seiyaku	107	+21.3	17.66	+73.5	6.49	+89.9

Takeda Chemical, the largest, exceeded its initial target, as strong sales of new drug lines offset the loss in turnover which stemmed from the termination of its marketing agreement with Ciba-Geigy of Switzerland.

Fujisawa suffered setbacks in sales and earnings, also affected by the ending of its agreement with Ciba-Geigy. Margins came under pressure from higher research and development expenditure.

Shionogi fared well in both sales and earnings, helped mainly by increased demand for its antibiotics, and the rise in the value of the yen which cut raw material import prices.

Eizai improved sales, partly through newly introduced products. However, an increase of R & D spending by Y17.2bn undermined earnings.

Sankyo's earnings were adversely affected by the cut of the so-called drug reimbursement price, despite strong sales of antibiotics.

Trust banks show strong gains

COMBINED pre-tax profits of Japan's seven trust banks, which specialise in fund management, soared 69.6 per cent in the year to March to a record Y349.6bn ($2bn), writes Yoko Shibata.

Net earnings were up 75.9 per cent to Y135.9bn on operating profits, before proceeds from securities dealings, 74 per cent up at Y295.6bn.

The performance was assisted by an expansion of margins accompanying the lowering of long-term interest rates, as well as increased commission income from property and securities.

For the current year, the seven expect a full-fledged contribution from Japan's falling long-term interest rates (reduced four times in the previous year). Pre-tax profits are expected to rise 15 per cent.

JAPANESSE TRUST BANKS
Parent company results, year to March 1986

	Revenue		Pre-tax profits		Net profits	
	Ybn	Change %	Ybn	Change %	Ybn	Change %
Mitsubishi	813	+ 3.8	87.5	+85.4	33.8	+80.0
Sumitomo	799	+19.1	90	+77.5	34	+74.9
Mitsui	655	− 3.1	55.6	+58.0	25.3	+70.4
Yasuda	610	− 0.1	46.2	+62.8	18.5	+79.0
Toyo	386	+ 9.0	36.7	+47.8	17.1	+74.0
Chuo	237	+ 9.5	18.6	+72.4	5.0	+72.6
Nippon	112	+ 8.6	5.7	+56.5	2.0	+33.6

Pioneer places A$79m shares

By Our Financial Staff

PIONEER CONCRETE Services, the Australian building products group which is facing a hostile takeover bid from Mr Larry Adler's FAI Insurances, yesterday announced the completion of an A$78.8m (US$55.8m) share placing.

A move of this nature was foreshadowed two months ago at the time of Pioneer's annual results. It said then that Compagnie Francaise des Petroles, the Total oil group of France, was to exercise rights dating from 1982 which would give Total a 10 per cent stake through a Pioneer issue of new shares.

It became clear yesterday, though, that Total had immediately on-placed these 40.8m shares with institutions, primarily the Australian Mutual Provident which now holds 17.74 per cent of Pioneer's enlarged capital.

This matches the stake held by FAI.

INTERNATIONAL COMPANIES and FINANCE

Four floaters launched as fixed-rate sector retreats

BY CLARE PEARSON

FOUR FLOATING-RATE note (FRN) issues, totalling $430m, were launched yesterday as the FRN sector continued to benefit from a diversion of investors' interest away from the weakening fixed-rate market.

S G Warburg launched a $200m (increased from $150m) 20-year FRN through S G Warburg Capital, guaranteed by parent Mercury International Group. The issue ranks as senior subordinated debt. The interest rate was set at ⅛ point above the mean of six-month London interbank bid and offered rates and the price at par. The bond is non-callable for the first five years and then at par. Fees total 65 basis points.

This was the first international capital markets operation on behalf of Mercury International. Some dealers expressed doubts about whether its name would be widely known by investors, though others reported strong retail demand. S G Warburg quoted trading levels at discounts to issue price well within the total fees.

Goldman Sachs International's $100m issue for Household Bank, a wholly-owned subsidiary of US Household Finance, also met a favourable reception. The 10-year bond has the collateral of cash and various bonds to give a triple A rating from Standard & Poor's. It pays interest at 0.15 per cent over three-month London interbank offered rate (Libor) and is priced at par. Like S G Warburg's bond, it is callable only after five years at par. Dealers reported a bid price of 99.90, as against fees of 40 basis points.

Goldman Sachs International also launched a $30m FRN for Banco Latinoamericano de Exportaciones (Bladex). This issuer lends money to Latin American institutions, and International Finance Corporations (IFC), the World Bank subsidiary, is an 8 per cent shareholder. Other shareholders are Latin American central and commercial banks and other commercial banks. As with a previous issue for Bladex the IFC is acting as an underwriter. The five-year bonds pay ⅜ per cent over six-month Libor and there is a minimum coupon of 7 per cent. Fees total 1⅛ per cent. In addition, each $10,000 bond has one five-year warrant exercisable into cumulative, participating preferred 8 per cent stock due 2006. The lead-manager said that these warrants were included as part of the IFC's strategy of increasing Bladex's capital base, although little value had been ascribed to them in the bond's pricing.

Lloyds Merchant Bank issued a $100m FRN for Jyske, the Danish bank. The nine-year deal pays $\frac{3}{16}$ per cent over six-month Libor and has a minimum coupon of 5⅛ per cent. The par-priced bond may be called after three years at par. Dealers said the issue was moving slowly, partly because Jyske's name is not familiar to many investors, and partly because of the volume of other floating-rate paper issued yesterday. A bid price of 99.70 was quoted, reflecting the lead-manager's support.

With the fixed-rate market still on the retreat yesterday, Merrill Lynch Capital Markets were thought wise to issue a bond of only three years' life for Toyota Motor Credit. Short maturities are more attractive to investors uncertain about the direction of interest rates.

In yesterday's difficult market, however, even a three-year maturity did not ensure success. The coupon on the $100m bond was set at 8 per cent while issue price was 100⅜. This gave a spread above US Treasury bonds at time of launch of 30 to 35 basis points, which some dealers thought not enough. Trading levels outside 1⅞ per cent fees were quoted.

In the more healthy equity-related sector, Drexel Burnham Lambert priced a $100m convertible bond for Alco Health Services Corporation. The 15-year bond was given a coupon of 6¼ per cent. The conversion price was set at $26.25, a premium of 22.09 per cent over Monday's closing price in New York.

The D-Mark sector continued depressed yesterday, after the postponement of a DM 150m financing for Public Power Corporation of Greece on Monday. One dealer described the market as "a shambles" as prices of seasoned issues were marked down by up to 1½ per cent, and no bargain-hunting emerged.

The market did, however, see one new issue. Deutsche Bank as sole-manager led a DM 100m 10-year 6¼ per cent bond for Eurofima, the European railways financing body. The bond was quoted by the lead-manager at a bid price of 98, outside total fees of 1⅞ per cent. Other banks quoted lower prices.

Credit Suisse launched a SFr 100m 8-year bond for Asian Development Bank. Terms will be fixed on June 6, but the indicated coupon is 5 per cent.

Provinsbanken buys stockbroking firm

PROVINSBANKEN, Denmark's fifth largest bank, is to acquire Copenhagen's oldest stockbroking firm, R Henriques Jr, founded in 1801. Henriques will continue under the same name as a securities trading subsidiary of the bank, *Hilary Barnes reports from Copenhagen.*

Most of the major Danish banks and insurance companies have taken similar steps to ally themselves with broking houses ahead of the deregulation of the Copenhagen stock market.

Legislation will end the monopoly of 26 broking firms trading on the bourse. From the end of this year anyone will be allowed to set up a company with a minimum capital of DKr 5m to trade on the stock exchange.

Alfred Berg, the stockbroking house which is a subsidiary of the Volvo group, and two Norwegian financial companies have also bought shares in Copenhagen broking houses. The moves are seen as giving Copenhagen a head start as a Nordic centre for securities trading.

● Nordisk Gentofte, the producer of insulin, is planning to go public with a DKr 30m share issue in Copenhagen this autumn. Its profits last year rose by 56 per cent to DKr 75m

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Closing prices on June 3

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco Co. 9¾ 16	200	99½	100	−1⅛	−2⅛	9.77
Atlan. Richfield 10¼ 00	250	102⅜	102⅝	−⅝	−2⅛	9.92
Australia Com. 11 95	200	111½	112	−1⅛	−3⅛	9.00
Australia Com. 11¼ 00	100	112⅜	113⅛	−1½	−3⅛	9.70
BP Capital 9¼ 95	300	97⅛	97⅜	−1⅛	−2⅛	9.55
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Average price changes on day −⅝ on week −2⅛						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Average price changes on day −1⅛ on week −1⅜						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Average price changes on day −⅛ on week −⅛						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Average price changes on day +⅛ on week −⅛						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amcn. Ex. Os. Cr. 0 91 A$	100	54	54½	−0⅛	−1⅛	13.37
Bremer Ldsbk. 12⅛ 91 A$	30	99⅛	100⅛	−⅜	−0⅛	12.77
Fiat Finance 14⅛ 89 A$	50	102⅜	103⅛	0	−0⅛	12.87
GMAC 12⅞ 89 A$	40	100⅛	100⅝	−⅛	−0⅛	12.67
Landsbk. Rhein 13 89 A$	30	99⅛	100⅛	−0⅛	−0⅛	13.07
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Average price changes on day +0.03 on week +0.05						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsui Bank 2⅝ 01	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Murata 3½ 2000	7/84	2998	168⅝	161⅞	+1⅞	20.22
Nippon Elec. 2⅞ 2000	3/85	1295	176⅝	175⅞	−0⅛	202.41
Nippon Oil Co. 3 2000	5/85	923	100½	102	+0⅛	0.37
OKI Elec. Ind. 3½ 99	10/84	095	131⅛	132⅝	−0⅛	−3.70
Sanwa Bank 2⅞ 00	10/85	1406	124⅝	125⅝	+2⅛	1.32
Sekisui House 3 99	6/84	632	264⅞	266⅛	+6⅛	0.00
Sumitomo Bank 2⅞ 2000	0/85	2142	124⅝	125⅞	+2⅛	2.46
Sumitomo Corpn. 2⅞ 99	3/84	595	107½	108½	+0⅛	0.46
Taiyo Yuden 3⅛ 2000	3/85	1078	†161	163	+3	−3.30
Tokyo Sanyo Elec. 3½ 99	12/84	772	*122½	122⅛	0	42.30
Toshiba Ceramics 3 2000	0/85	1734	128⅝	129⅝	−0⅛	−2.00
Nippon Oil Co. 2⅞ 92 SFr	3/86	1052	†130⅛	130⅛	0	3.13
Nippon Shinpan 2 92 SFr	3/86	001	†188½	189	−1⅛	11.87
Asics 5 92 DM	12/85	520	154½	155⅛	+0⅛	5.49
Renown 3⅛ 90 DM	3/85	675	144⅝	145⅛	−2⅛	−4.30

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Smaller June bond calendar in France

By Our Euromarkets Staff

THE FRENCH FRANC Eurobond new issues calendar for June has been limited to FFr 1.6bn, comprising three issues, FFr 1bn down on April's four-issue calendar. This curtailment reflects the market's rather depressed state resulting from signs of tension between Mr Francois Mitterrand, the Socialist President and Mr Jacques Chirac, the Right-wing Prime Minister and from recent unencouraging economic figures.

The June calendar, agreed on Monday night between a committee of banks and the French Treasury, is made up of a FFr 600m bond for Air France, and two FFr 500m bonds for Nordic Investment Bank and Fiat, the Italian industrial group. Credit Commercial de France will be leading Air France's bond, expected this week, which will provide an annual floating rate linked to domestic yields. It will be only the second floating-rate bond in Euro-French francs since the market re-opened in April 1985. The first, which pays a margin of 0.1 per cent over the average yield on three to seven-year government paper, was launched two months ago for Caisse Nationale des Telecommunications.

Credit Lyonnais is likely to lead Fiat's bond. Both this and the issue for Nordic Investment Bank will be fixed-rate. Current conditions imply that coupons should be well over 8 per cent.

The 8 per cent coupon on last week's FFr 1bn 10-year bond for Peugeot was criticised as too low, and the bond has traded at a discount to issue price of as much as 3½ per cent on the bid side.

Conflict between the Right-wing administration and President Mitterrand over such issues as redundancy legislation, combined with the announcement of an April trade deficit of FFr 4.5bn, created nervousness in the market towards the end of May. This, combined with a downturn in US Treasury prices last week, caused French Franc Eurobonds to shed about one point in price over the past 10 days.

French bankers, however, said yesterday that the very moderate June total should improve the state of the market, still sustained by a strong currency and expectations of interest rate cuts.

International placing in Volvo shares

By Our Euromarkets Correspondent

ONE OF Sweden's largest pension funds, Svenska Personal Pensionskassan (SPP), is to sell 1.5m "B" shares in the Volvo motor, foods and energy concern through an international placement arranged by Morgan Stanley and the stockbroker Alfred Berg.

The share sale, which will be priced within a week at a slight discount to the prevailing price in Stockholm, is accompanied by an issue of warrants allowing holders to purchase a further 500,000 shares until the end of this year. Yesterday the shares closed at SKr 422.

The issue amounts to some 2 per cent of Volvo's share capital and has been arranged with the blessing of the company which is keen to see a broader distribution of its shares.

Morgan Stanley said yesterday the strike price on the warrants would be SKr 425 and they would be priced at roughly 7½ per cent of the share price prevailing when final terms are set. The warrants will be listed in Luxembourg.

The warrants are expected to appeal to investors who want to take a low cost punt on Volvo shares. For SPP the advantage is that the return from the warrant sale offsets the discount at which the bulk of the offering is being sold.

Taiwan fund for foreigners

By Our Euromarkets Correspondent

TAIWAN HAS launched a $25m trust fund to enable non-residents to invest in its domestic securities market.

The Taipei Fund, one of only three vehicles established for inward foreign portfolio investment, was formed earlier this year and is owned by 12 Taiwanese shareholders as well as GT Management (Asia) of Hong Kong, Bankers Trust's BT Foreign Investment Corporation subsidiary and Prudential-Bache Securities.

Units of the Fund will be listed on the London Stock Exchange.

Alexander Nicoll on the steady growth of a financial futures exchange

Simex builds on link with Chicago

IT HAS NOT been an easy road for the Singapore International Monetary Exchange (SIMEX), which became Asia's first financial futures exchange in 1984 with a pioneering link to the Chicago Mercantile Exchange.

Singapore does not have the buccaneering atmosphere of Chicago, nor the financial muscle of Tokyo. Though no exchange in the Asian time-zone is yet vying directly with SIMEX's contracts, competition from Tokyo, Hong Kong and Sydney is on the horizon.

Volume growth has been steady but slow. The $1m three-month Eurodollar contract has been the most successful, accounting for about half the business in terms of contracts traded, followed by the DM 125,000 D-Mark and Y12.5m yen futures. The gold contract, a hangover from a past incarnation of SIMEX, has a very small volume.

"We are progressing, but we hope to be able to do much better," says Mr Ang Swee Tian, SIMEX general manager. Hopes for expansion are currently pinned on new sterling and Swiss franc futures contracts and on a Japanese stock index future, all due to be introduced by early September.

What makes SIMEX different from other exchanges is its link with the CME. Its contracts are "fungible" with identical ones traded on the CME, meaning that a position opened in Singapore can be closed later the same day in Chicago, or vice versa. Member firms need only have one margin account to trade in this way on the two exchanges. The CME is the world leader for both Eurodollar and currenmy futures.

Since the link was established, several other exchanges have made proposals for similar steps towards round-the-clock trading of futures and options—notably London and the US. But these have become bogged down both in working out clearing arrangements and in regulatory problems. There are also inevitable fears that an exchange will lose liquidity to the market with which it is twinned.

For SIMEX, such handicaps were considerably reduced because Singapore previously had neither a financial futures market nor the appropriate regulations. Both could be fashioned to fit in with the CME.

The danger for SIMEX, however, was that it would simply become an offshoot of the CME, failing to develop local liquidity and thus to become a centre in its own right.

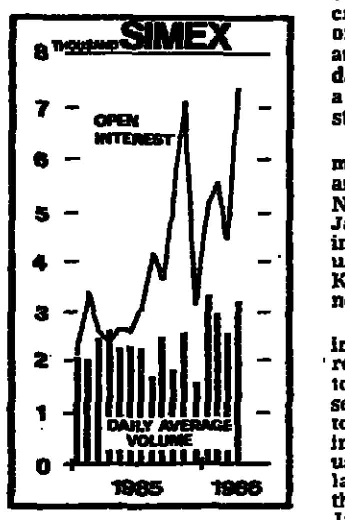
Statistics show that, although the volume figures are not high, the balances between different types of orders have been quite healthy.

The proportion of business generated through the mutual offset link has remained fairly constant at about 30 per cent. These include orders originating from European customers who have accounts with CME members.

The amount of the exchange's total business coming from customers of member firms, as opposed to members' own account trades, has risen from 52 per cent to 57 per cent over the past year. The remaining 43 per cent divides into 10 per cent by corporate members and 33 per cent by locals, meaning that trades by locals account for one-third of total business.

The number of locals — individuals who attempt to make their living trading in the pits, often by taking on the risks which other operators wish to hedge — has declined since SIMEX started. But Mr Ang says there are about 50 such individuals on the floor every day, and another 27 who trade regularly.

Since the Eurodollar contract is the exchange's most active, it is not surprising that nearly two-thirds of customer orders come from banks. Half the customer business originates in Asia, 35 per cent in North America, 12 per cent in Europe and 3 per cent in Australasia.



On the floor, where most traders wear bright red jackets, the Eurodollar pit is typical of many futures exchanges. Dealers face the middle, and there is much "spread" trading between months traded in different segments of the pit.

But in the currency pit, all eyes are focused on a bank of Reuter screens suspended from the ceiling. This reflects the dependence of the futures market on the much larger foreign exchange cash and forward market in Singapore and other Asian centres. To stimulate business, SIMEX last year persuaded three banks, Bank of America, Citibank and Security Pacific, to act as market-makers.

Though the trading system remains open-outcry, the idea is that the market's knowledge that these banks will make two-way prices in the currencies increases its confidence that orders can be executed quickly and thus aids liquidity. Standard Chartered Bank is to be a market-maker in the new sterling contract.

The exchange plans extensive marketing in Hong Kong, Tokyo and London for futures on the Nikkei Stock Average of 225 Japanese stocks, to be traded in Singapore ahead of the CME under licence from the Nihon Keizai Shimbun, the Tokyo newspaper group.

This contract will have two important drawbacks: Japanese residents are not yet allowed to trade it, although Japanese securities houses will be able to do business not originating in Japan and have promised to use their best efforts to stimulate business; and secondly, there is little trading of Japanese stocks in Singapore by comparison with the markets in Hong Kong or London.

This is why Mr Ang, who notes that 23 per cent of Tokyo Stock Exchange activity was foreign-originated last year, plans concerted overseas marketing of the contract.

For next year, possible new contracts include a Singapore Stock Exchange index—the first locally-oriented contract — and options on interest rates and currencies through the CME link-up.

Bank of Tokyo loses top Moody's rating

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

BANK OF TOKYO, Japan's most active international bank, has lost its coveted AAA credit rating from Moody's, the US credit-rating agency.

Moody's said yesterday it was cutting its rating on $1.4bn in senior long-term debt issued by Bank of Tokyo and its Curacao finance subsidiary to AA1 because of the competition the bank is now facing in international business following the deregulation of Japanese financial markets.

According to statistics compiled by International Financing Review, the specialist weekly newsletter, Bank of Tokyo was the top lead manager of syndicated loans last year, acting as lead manager in 89 credits with a total value of nearly $30bn.

Moody's said its action "reflects the likelihood that the Bank of Tokyo's traditionally strong market position in international banking will be eroded as the major Japanese banks intensify their pursuit of international business in reponse to pressures of deregulation of the domestic Japanese system."

The wholesale character of the bank's loan portfolio made it vulnerable to the trend towards securitisation of international debt markets. Its small domestic branch network and relatively limited involvement with small and medium-sized Japanese companies would make it hard for Bank of Tokyo to develop its domestic business, Moody's added.

Moody's said it is leaving unchanged Bank of Tokyo's top P-1 commercial paper rating. The bank's debt is rated AA by the other main agency, Standard & Poor's.

UK COMPANY NEWS

Hanson set to top forecast after £158m profit so far

Hanson Trust, the high-profile industrial conglomerate, yesterday reported a near 50 per cent rise in taxable profits for the first half of 1985-86. At £157.8m against £106.1m, the result was in the middle of a rang of City estimates.

The period to March 31 1986 saw Hanson involved in two bitterly contested takeover contests, for Imperial Group of the UK and SCM in the US. The results include a first time contribution from SCM but Imps has yet to figure, as the £2.7bn deal was clinched after the period end.

Lord Hanson, the group chairman, said yesterday that the company would comfortably exceed the forecast of £340m for the full year which it made during the struggle with United Biscuits for control of Imps. Last year it made £253m pre-tax.

Sir Gordon White, who heads the US side, said that the integration of SCM into Hanson Industries had doubled its size. Sales of surplus properties and companies which did not fit generated £155m, and Sir Gordon anticipates further disposals. The financial contribution from the US to the UK parent would continue, he said.

Lord Hanson also announced yesterday that the company is to examine further incentive and other arrangements for the key executives which he believes are responsible for the outstanding progress of the past three years.

The interim figures benefited from a £30m drop in interest and other central expenses, which took only £8.3m from trading profits of £163.9m (£142.4m).

The increasing importance of Hanson's US operations was demonstrated by the fact that it again widened the gap between profits earned at home and over there. The UK accounted for £72.3m of the trading result, against £68.7m, while the US contribution rose from £73.7m to £91.6m.

By division, consumer product profits slipped to £58.9m (£58.7m), and building products became the group's largest earner with profits of £55.1m (£47.9m). Industrial added £51.1m (£30m) and brewing and food made £3.8m—the £5.8m last time included a £4.6m contribution from Interstate United, which has since been sold.

Sales in the US rose from £935.4m to over the £1bn mark at £1.04bn, easily ahead of UK turnover at £549.5m (£544.4m). Divisional sales show a slight fall from £585.4m to £580.4m in consumer products, but increases in building (up nearly £90m at £399m) and industrial (up from £315.8m to £433.7m). Excluding a £160.5m contribution from Interstate last time, sales in brewing and food rose from £98.8m to £189.9m.

The company is to raise the interim dividend to 1.4p against 1.102p adjusted for the company's rapidly increasing share capital. Lord Hanson put the market capitalisation at £6.5bn yesterday, compared with £2.7bn six months earlier.

After tax charge of £44.1m (£29.5m) fully diluted earnings per share rose from 4.4p to 5.5p. The company retained £82.6m (£58.5m), and the interim balance sheet shows cash at hand and in the bank at £1.36bn (£1.15bn).

See Lex

Dee shares drop on Fine Fare rumours

By Lionel Barber

Shares in Dee Corporation, the food retailer, slumped yesterday amid strong market speculation that it was about to conclude an agreed deal with Associated British Foods for the purchase of Fine Fare, ABF's food stores chain. An announcement, if only to clarify the position, could come today.

The deal could be worth more than £400m.

Dee shares closed at 253p, down 10 on the day. ABF, responding to the speculation, rose 4p to close at 346p.

One food retailing analyst said last night: "The rumours have got ridiculous over the past few weeks. It is not a question about whether there is going to be a deal but when?"

Mr Alec Monk, Dee chairman, was unavailable for comment at the group's Milton Keynes headquarters. Mr Garry Weston, chairman of ABF, was said to have left the group's London office early yesterday evening.

Last March, Dee paid £277m ($414m) for Herman's Sporting Goods. To fund the move, Dee used a vendor placing of 125m shares at 265p a share to raise £331m.

For the half year to last November, Dee announced a 17 per cent sales increase to £1.5bn and pre-tax profits up from £27.5m to £41.1m. The group has pursued an aggressive acquisition policy since the arrival of Mr Monk in 1981.

Last month, ABF announced pre-tax profits ahead from £132.3m to £163.5m on £3.13bn turnover for the year ending last March. The result included a jump in investment income of £15.9m to £39.4m.

IBL suspended after results again delayed

Shares in IBL, the computer leasing group, were suspended at 123p yesterday as the company again postponed the publication of its much-delayed preliminary results for the year to last December.

The postponements are partly attributable to the departure some weeks ago of the company's finance director, Mr David Macmillan. IBL said yesterday that the audit had taken much longer than expected but it was "virtually certain" that the figures would be out tomorrow.

IBL was floated on the stock market in June last year at 140p. Its shares hit a high of 165p earlier this year before slumping to 108p as the City revised its forecasts of 1985 profits downwards.

The company has had difficulties in managing its expansion in the US and France and has replaced the heads of both these overseas operations. As a result, the 1985 profits are thought likely to have fallen well short of the £10m-£11m which stockbrokers had forecast.

B & C expands banking side

BY DAVID GOODHART

British & Commonwealth has bought a 55 per cent stake in the financial services company Premier Portfolio for about £5m.

Premier was formed last year from a management buy-out of a division of Avco Trust and manages blocks of mortgages for a number of financial institutions.

B & C has bought out some existing shareholders and is also injecting additional finance through subscribing for new shares.

"It's really like a second round of financing," said Mr John Gunn, a B & C director. "The company is not yet profitable but is doing better than forecast. A lot of money was spent initially on a large computer system and we are now providing the funds to capitalise on that investment."

Mr Adrian Bloomfield, managing director of Premier, said: "The investment gives added strength to our balance sheet and will enable the company to take further advantage of the many interesting opportunities that are fast developing in financial services."

Premier's main business to date has been second mortgages but it will now seek to attract US and European banks into the first mortgage business.

The company will become part of B & C's banking division. The other shareholders of Premier are Britel and Postfund with 19 per cent, Methuen Investments with 14 per cent and Mr Adrian Bloomfield 12 per cent.

Brixton Estate

Brixton Estate is raising £30m through a placing of mortgage debentures. The stock has been priced at £94.203 to yield 10.098 per cent. The coupon is 9.5 per cent, and the stock matures in 2026. The placing was completed yesterday by J Henry Schroder Wagg.

Geest set to decide on timing for SE debut

By Andrew Gowers

Geest Holdings, Britain's leading fresh produce distributor and one of the country's largest private companies, is set to decide by the end of the month whether to seek a listing on the Stock Exchange this year.

Mr Charles Bystram, Geest's newly-appointed chairman, said yesterday that he personally favours a stock market flotation for the company. "It's more a question of when rather than if," he said.

But he added that the board had yet formally to decide, and that the company did not want to be rushed into a flotation.

Much would depend on the performance of the stock market and of interest rates, as well as on the political situation: Geest is particularly anxious not to go to market in the run-up to a general election. It is being advised on the issue by Hambros merchant bank.

"If we want to grow healthily, we're going to need cash," Mr Bystram said. "We have plenty of scope for borrowing. But we'd be lopsided if we tried to grow entirely through borrowing."

For the year 1985 Geest reports a 45 per cent advance in profits to £5.9m. Turnover was up 10 per cent at £371.9m.

Mr Bystram, who joined the company in March from United Biscuits, said most of the growth will come from increased sales of fresh fruit, vegetables and salads through supermarkets.

The multiple retailers currently control about 35 per cent of the fresh produce market, but Geest sees that proportion rising to nearly 50 per cent by the end of the decade. Geest's share of the total market, which is estimated to be worth about £3bn, was more than 10 per cent in 1985.

"We're at the beginning of a very good growth curve... We're catching up with some of our profit potential, but we're still not making as much profit as we should on our turnover," he said.

Pritchard disposals

Pritchard Services, currently resisting a bid from Hawley Group, has followed up the sale of Kimberley Services in the US with two more smaller divestments which should bring it about £2.3m.

It has agreed to sell its interest in Ace Cleaning Enterprises of Saudi Arabia to Waste Management International and Prince Abdulrahman Bin Abdullah Bin Abdulrahman Al Saud for up to £1.7m.

As part of the rationalisation of its US catering and vending operation Pritchard has also sold a New York property for £600,000.

Lionel Barber on Clayform's £86m merger with Samuel Properties

A thrusting infant comes of age

Clayform Properties, the thrusting infant of the UK property market, appears to have come of age.

Yesterday's announcement of an £86m agreed merger with Samuel Properties is by far the most ambitious yet for Clayform, set up in 1981 and floated on the Unlisted Securities Market just 14 months ago.

In effect, it is a takeover. According to Clayform's last published audited consolidated balance sheet at December 31 1985, the group's net assets amounted to £5.19m. By contrast, Samuel Properties net assets as estimated by the Samuel board currently amount to £94.1m.

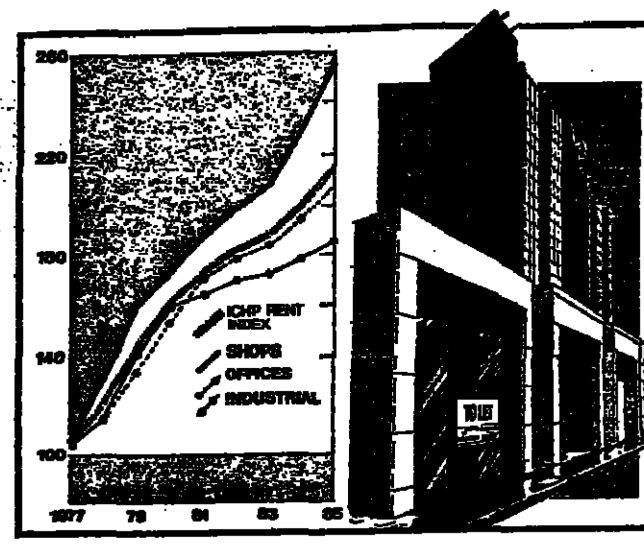
So why should Samuel, a fully-listed company which first offered its shares to the public in 1962, agree to a bid from the upstart, Clayform?

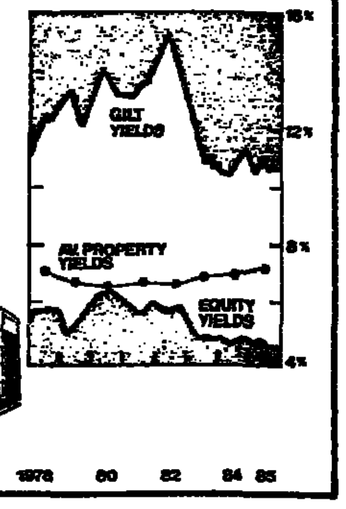
For all yesterday's bland assurances of "synergy" and "harmony" between the two managements, the answer lies more in the changing mood of the UK property market.

Clayform has joined an expanding army of "merchant developers" which rely on outsiders to fund their schemes and shy away from building an investment portfolio of their own. This new wave of entrepreneurs — among them one might count Stockley, London & Edinburgh Trust and Rosehaugh—is more interested in accumulating cash and paying out healthy dividends rather than creating property assets.

The newcomers have shaken up the property business using their skills for assembling development opportunities and marketing them to institutions and financing. And they have arrived just as the first-generation of post-war property is reaching the end of its useful life.

Clayform specialises in the retail property market. Its largest completed project is the £22m White Lion shopping centre in Guildford which opened this year and is fully let. But it has an increasingly ambitious development programme under way amounting to a value of more than £80m, according to Mr Michael O'Halloran, a director and former Financial Times journalist.





This development programme includes a prime site in Leeds, acquired when the group bought Schofields, a Yorkshire retailing group, for £16m in 1984. The investment value of this site is more than £46m, according to Clayform. In addition, there are several other projects in the pipeline: a 400,000 square foot site in Sheffield and another unspecified site in the centre of London.

Mr O'Halloran said: "We could not carry on expanding at the rate we have been without expanding our capital base."

Hence the deal with Samuel, which more than doubles Clayform's issued capital. Clayform shares have risen more than 100p since last year's placing at 145p so the market appears to like the group's paper. But backing yesterday's takeover still requires an act of faith in the present Clayform management, property analysts said yesterday.

Mr Sydney Cowan, managing director of Samuel who is to become joint chairman of the new combined group, said that Clayform's predominantly retail interests matched Samuel's expertise in office and residential development and property trading.

As if to highlight the latter skill, one of the conditions of yesterday's offer by Clayform was the disposal by Samuel of a commercial, industrial and residential property portfolio, purchased last April from Lonrho, the trading conglomerate, for £53m. The sale—to Mountleigh—nets a profit of over £4m. But it also avoids the new group carrying around 150 per cent gearing — less the properties, gearing falls to around 66 per cent.

Samuel, which has had an erratic profits record over the past 10 years, valued its net assets per share at 223p in the annual accounts for the year ended June 1985. But in yesterday's press statement, the figure appears as 282p per share, following a revaluation of the existing investment portfolio, net profit arising from the sale of the Lonrho portfolio and the proposed sale of the "Effra" site and forecast retained profits for the current financial year.

Montagu, has slipt its offer for Samuel, advised by Hill Samuel, into three parts.

Its basic offer comprises 750 new Clayform shares, 100 new Clayform warrants and £600 in cash for every 1,000 Samuel shares. On the basis of last night's closing price for Clayform, up 20p to 280p the offer values Samuel, up 13p to 268p, at 275p per share.

There is also a cash alternative made available at the rate of 250p for each new Clayform share. Taking new Clayform shares at 256.5p each and new Clayform warrants at 50p each, the cash alternative values Samuel at around 247.4p per share. Samuel shareholders accepting the cash alternative will receive a consideration equivalent to 375 new Clayform shares, 100 new Clayform warrants and £1,462.50 in cash for every 1,000 of their shares.

Clayform has received irrevocable undertakings to accept the offer in respect of 16.9m shares, representing 50.6 per cent of Samuel's issued share capital. And so, six weeks after Samuel announced it had received a friendly approach, the deal looks wrapped up.

See Lex

Mountleigh pays £58m for Samuel portfolio

Mountleigh, the West Yorkshire based property group headed by Tony Clegg, is paying £57.8m for a portfolio of properties which Samuel acquired for £53.2m from the Lonrho group in April of this year, writes William Cochrane.

It is also understood to have an option on the "Effra" site at Vauxhall Bridge, London SW8, which Samuel acquired for about £6m last year, with a view to residential development.

The portfolio comprises office, shop, residential and industrial properties located primarily in London and south east England. Two freehold properties with an attributable cost of around £3.7m will be retained as investments and the balance will be traded.

The investment content is to be funded by an issue of 1.05m new Mountleigh shares which Charterhouse Japhet has agreed to place with institutional investors at 805p a share.

Meanwhile, the Hongkong Bank is lending Mountleigh £50m on a limited recourse basis to cover the major trading stock element of the deal.

Mountleigh said last night that its profits before tax for the year to April 30 last had more than trebled to £9m, indicating fully diluted earnings of 61.1p a share to cover a dividend increased from 6.5p to 10p a share.

Prospects for the current year are very encouraging, said Mr Clegg last night.

Blick offer for sale 'badly undersubscribed'

BY RICHARD TOMKINS

The application list for shares in Blick, the Swindon-based supplier of time recorders and radio pagers, closed yesterday badly undersubscribed. Some 735 applications were received for 2.5m of the 7.3m ordinary shares on offer, leaving the remaining 66 per cent in the hands of the underwriters.

Blick claims UK market leadership in the sale and rental of clocking-in equipment, and also makes and supplies on-site radio-paging equipment. Its shares were offered at 147p, giving it a market capitalisation of £29.4m, and with profits of £2.3m forecast for the current year, the prospective price/earnings multiple was 14.

City analysts said yesterday that the offer had been perceived as demanding too high a price for an unexciting business given the slack demand in the stock market.

Kleinwort Benson, the merchant bank which sponsored the issue, said it was disappointed by the response because the company offered above-average growth in profits and earnings per share on an earnings multiple in line with the market average.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Archimedes ....int	4.6	—	4.4	—	10.15
Body Shop ....int	1.2†	Aug. 4	0.6*	—	1.5*
N. Brown	7.5	Aug. 6	6	11.25	9
Chapman Industries	6.1	—	6.1	8.4	8.4
De La Rue	24.75	July 26	21.75	33	30
Hanson ....int	1.4†	July 25	1.1*	—	3.26*
Headlam Sims ....int	0.5	July 25	Nil	0.5	1
Investment Co	0.75	Aug. 4	0.61	1.17	1.05
Leigh Interests	2.45†	—	2	3.75	3
McCorquodale ....int	2.75	—	2.3	—	5.7
Norcros	6.5	—	6	9.3	8.6
Plysu	1.9	—	1.54*	2.7	2.17*
Prontaprint	1.5‡	Aug. 2	—	2.5	—
Sheraton Secs	0.5‡	July 25	0.5	0.75	0.5
Sketchley	12.8	—	11	17.5	15.3
Sturge ....int	3	Sept. 5	2	—	6

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

UK COMPANY NEWS

UBM helps Norcros lift profits 32% to £45m

BOOSTED by the UBM acquisition last year and in line with forecasts, taxable profits of Norcros, diversified industrial group, increased py 31.5 per cent from £34.32m to £45.1m for the year ended March 31, 1986.

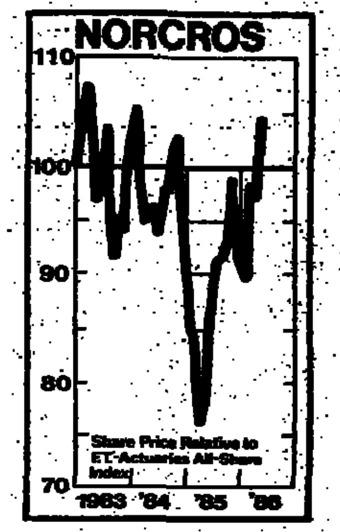
Mr Ken Roberts, chairman, says that in the considerably expanded group — turnover surged by 70.6 per cent to £639.7m (£374.9m)—all divisions contributed to the improved results.

Earnings per share were up at 21.4p, compared with 20.1p, and "more than fulfilled the management's prediction that earnings would be maintained for the larger group." The dividend is also lifted from 8.6p to 9.3p, with a final payment of 6.5p (6p).

The chairman says that progress continues in the rationalisation of the group towards the manufacture and distribution of building materials and specialised packaging.

Of the turnover figure—excluding associates of £37.93m (£27.12m) — of £601.82m (£347.8m) and operating profits of £49.06m (£33.48m), the distribution sector (UBM's builders' merchants and motor activities) contributed some £240.6m and £7.45m respectively for the year.

The analysis of results, by class of business shows: ceramics £73.59m (£74.63m) and £11.84m (£10.8m); construction £112.3m (£95.11m) and £7.12m (£7.1m); engineering £56.11m (£63.24m) and £3.83m (£854,000); print and packaging £66.08m (£61.32m) and £9.67m (£7.76m). The international division contributed £53.14m (£53.5m) and £5.55m (£6.11m); distribution £240.6m and £7.45m.



Mr Roberts says that ceramics, print and packaging, and overseas companies performed well in difficult although improving markets, while the heavy engineering side achieved a "dramatic recovery" as benefits flowed from the rationalisation which started last year.

Mr Terry Simpson, the chief executive, confirmed later that the group was prepared to sell off its heavy engineering businesses. "We have made it known that they are available," he stated. Their combined net asset value is around £8m, he said.

Mr Simpson said that Norcros was prepared to sell because the group did not see them as part of its mainstream activities.

Last year the group's capital spending amounted to around £21m and Mr Simpson said that it would be around a similar level "if not slightly higher" this year.

He poured cold water on any speculation about a possible rights issue. The group had no inclination or need to go for a rights issue, he said.

Asked if the group was in a position to make a further acquisition, Mr Simpson said he believed it was, and pointed out that the balance sheet was strong, but added "there is no better way of getting growth than organic growth."

Group profits were after interest charges of £10m against £6.29m, and were subject to tax of £17.6m (£13.72m). After minorities, preference payments, and extraordinary debits of £8.12m (£4.97m), the available balance came through at £17.89m (£14.6m).

See Lex

Christopher Parkes on Gallaher's swoop on NSS

Balancing the profit scales

TOBACCO MAY not be a very healthy business to be in but as BAT Industries can testify following the recent sale of $600m worth of its US retailing ventures, diversification also holds its perils.

Yesterday's move by Gallaher to take over 500 NSS Newsagent's shops reects the caution which has coloured the judgment of the British subsidiary of American Brands since it started looking s eriously to diversify in the early 1970s.

Gallaher made its first move into retailing 12 years ago when it bought the Forbuoys chain of newsagents.

Since then it has contented itself with tagging on odd shops here and there until yesterday's swoop which should give it a chain of 950 outlets and make it the *second largest company* in the British CTN trade.

Mr Philip Grierson, the director in charge of diversification, is attracted by the steady prospects offered by shopkeeping. He is not concerned by the general flat trend in CTN retailing. "Forbouys has done consistently well for us through thick and thin," he said.

Confectionery and tobacco sales might not be so bright but the news side was growing and the chain was evolving through the additional of new lines into a sound group of convenience and variety stores which formed a substantial core business for the company, he said.

The expansion fits into the steady-paced, unspectacular diversifications which have so far characterised Gallaher's advance.

Two years ago it paid £50m for the tired, but internationally famous Prestige housewares company. Two years before that it spent £37m on the Ofrex office products business to add to its existing non-tobacco interests in *Dollond & Aitchison opticians* shops and engineering.

The relatively modesty of the company's latest move and the long gap since the first move into retailing also indicates that there is no great urgency.

Despite the Chancellor's predacity and the anti-smoking lobby's successes, tobacco still produces profits which would be the envy of many other companies.

The task of increasing non tobacco companies' share of group profits to 50%

At Gallaher last year trading profits from its cigarette and tobacco ranges rose 8 per cent. Non-tobacco interests produced a 14 per cent increase.

This advance, which follows cost-cutting at home to counter duty rises and the effects of health campaigns and increased aggression in export markets, is not making Mr Grierson's job any easier.

He has been charged with increasing the non-tobacco companies' share of group profits to 50 per cent.

With NSS on board he reckons the share will be "somewhere between 30 and 40 per cent." In the year to December 1983, before the Prestige takeover, the proportion was already 33 per cent.

Despite the apparently odd mixture of companies under the Gallaher umbrella, the company's diversification pattern has much in common with those of other tobacco specialists.

They have tended to choose stable, established companies with strong market shares and powerful brands — businesses with which they have everything in common except the product.

Arguably the most advanced is BAT Industries, which has developed a series of solid core businesses in tobacco, in paper under the Wiggins Teape banner, in international retailing—Argos in the UK and Saks Fifth Avenue in the US—and in financial services with the Eagle Star insurance business.

Imperial Group, with well over half its profits coming from its linked interests in food, brewing and leisure had broken its heavy dependence on tobacco . . . but then it fell victim itself to the diversification tactics of Hanson Trust.

● John Menzies has acquired Readmore Publications, a New York periodicals subscription agency with sales last year of $36m (£24.5m). Price paid was approximately $4m in cash.

Fudge Kitchen pegs Prontaprint

Prontaprint Holdings, USM quoted franchiser of high-speed print shops, increased pre-tax profits by 38 per cent from £597,000 to £827,000 for the year ended March 28 1986. Turnover was 20 per cent higher at £3.76m, against £3.12m.

Results, however, were adversely affected by a disappointing performance from Fudge Kitchen, a specialist confectionery retailer. As indicated at the interim stage, this offshoot has taken longer than expected to develop and refine and as a result, only nine units are open—substantially below budgeted figures.

Management changes have been made in Fudge Kitchen and the company is currently engaged, with the aid of an outside consultancy, in a reappraisal of Fudge Kitchen's potential.

After tax of £284,000 (£263,000) earnings per 10p share were up from 5.58p to 7.71p. There is a final dividend of 1.5p net making a total for the year of 2.5p — the company joined the USM in June, 1985.

Total franchise sales rose by 24 per cent from £23.8m to £29.5m.

● comment

When Prontaprint came to the USM last year on a p/e of 24.6, the company talked confidently of diversification into new areas of franchising. However, the Poppies domestic cleaning business has now been sold and the Fudge Kitchen chain has proved a tremendous disappointment. As a result, full-year profits of £827,000 (up 38 per cent) were £100,000 down on expectations. This year's growth should come mainly from the core business of franchised print shops, although the chairman is talking about acquisitions in the retail sector. Licensing agreements in Europe should take another year or so to bring in substantial royalty income, but the 30 per cent stake in the Canadian company Zippy Print could prove an astute purchase. Although the tax position is complicated by the Jersey incorporation and the complex share structure, profits of around £1.15m and tax charge of 35 per cent would mean earnings per share of 10.2p and a prospective p/e of 13, on yesterday's unchanged share price of 132p. Prontaprint sits somewhere between the printing and retailing sectors. The prospective p/e indicates that the market places it nearer the former than the latter.

Market likes Body Shop growth

DOUBLED INTERIM profits and dividend from the USM traded **Body Shop International** *pleased* the market yesterday, and the shares were up 30p to 630p, after a gain of 35p at one time.

The group, which originates, produces and distributes natural cosmetics, doubled its turnover to £8.78m (£4.33m) in the half year ended March 31 1986, and lifted its pre-tax profit from £981,000 to £2.08m. The interim dividend is increased from an adjusted 0.6p to 1.2p net.

The company expects the strength in sales to be maintained throughout the rest of the year. The 50,000 square feet warehouse will be operational by the end of this month, but there will be significant relocation costs in the last quarter.

Plans are well advanced for the introduction of a new colour cosmetic range in the autumn.

After tax £779,000 (£417,000) the half year's net profit is £1.3m (£564,000) for earnings of 12.97p (5.64p).

● comment

Body Shop has confounded its critics yet again with this set of results, by producing higher profits in the first half than in the whole of last year, and its shares soared by 30p to 630p yesterday. All the critics can do is carp about how long this growth rate can be sustained. The answer will hinge on how rapidly the company develops its overseas activities. Profits from the more mature markets —Canada and Sweden—filtered through last year, but it will take two or three years for the main markets — France, Italy and West Germany — and the fruits of the current capital expenditure programme to surface. The costs incurred by the new warehouse and relocation will take their toll on margins in the second half. Yet extra capacity will enable the company to resume active expansion in this country and a stream of new products — cosmetics for men, an aloe vera range and colour cosmetics—should buoy turnover. The surge in interim profits prompted analysts to revise their full year projections from £3m to £3.5m producing a prospective p/e of 30.5 which may seem panglossian by the retail sector's standards but not by Body Shop's

UK COMPANY NEWS

De La Rue confident as profits rise to £49m

WITH THE currency division and Crosfield Electronics again being star performers, the De La Rue group has achieved record pre-tax profits of £49.36m for the year ended March 31 1986, a rise of 6.3 per cent over the previous £46.43m.

The directors say the result bears out their confidence that the difficult task of bettering 1984-85, which was exceptional, would be achieved.

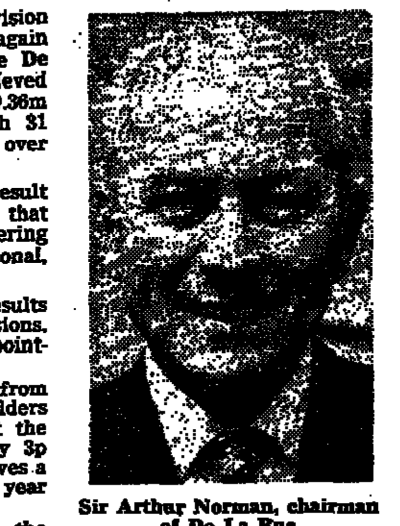
There were some good results among the supporting divisions, and relatively few disappointments.

Earnings are ahead from 78.9p to 84.4p, and shareholders benefit to the extent that the final dividend is raised by 3p per share to 24.75p. This gives a net total of 33p for the year (30p).

As to the current year, the directors state they expect the benefits of recent acquisitions and expansion plans to show through. Again the far larger proportion of profits will come in the second half.

Order books at the start of the year were in good shape nearly everywhere in the group, they add.

There has been heavy investment in 1985-86. As well as spending £13.4m on supporting existing businesses, there was the cost of acquisitions with the net price for Bradbury Wilkinson coming to £27m. This led to a cash outflow of £17.5m.



Sir Arthur Norman, chairman of De La Rue

At the year-end group net borrowings were up from £19.2m to £36.7m primarily because of the Bradbury Wilkinson purchase.

Reflecting the sale of Security Express for £15.7m during the year, turnover earned in the UK has fallen to £23.84m (£76.29m). Exports came to £179.15m (£178.3m) and overseas sales to £96.88m (£88.42m).

The directors pointed out the sale of Security Express would have the effect of lifting the proportion of overseas sales to around 90 per cent of the group total.

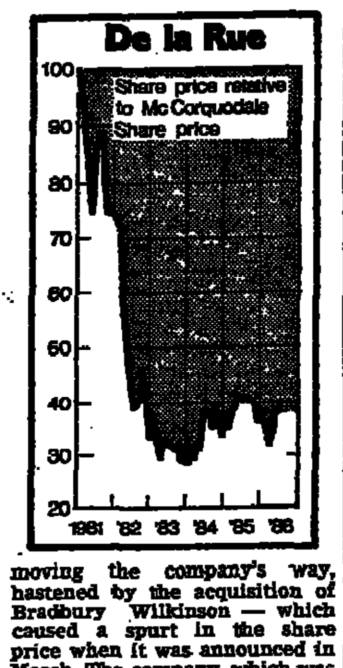
Security accounted for £31.4m (£33.1m) and Crosfield for £12m (£9.3m) of the trading profit.

Most of the security businesses, which predominantly trade outside the UK, enjoyed good progress. The currency division had a good year with all units performing well, although it fell short of the outstanding performance of the previous year.

Net interest payable in the year came to £3.78m (£4m) and the related companies profits were £9.64m (£7.97m). After tax £15.72m (£16.9m) and minorities £1.48m (£1.79m), the attributable profit is £32.16m (£30m). There are extraordinary credits of £4m (£2m), including £3.5m net profit on the sale of Security Express.

● comment

De La Rue has repaired the damage caused by a disappointing set of interim results by producing a respectable increase in its full year profits. This was achieved despite a currency loss of about £4m, and the absence of profits from Security Express, sold at the beginning of the year. Events now seem to be moving the company's way, hastened by the acquisition of Bradbury Wilkinson — which caused a spurt in the share price when it was announced in March. The company, which was a major competitor of De La Rue's should quickly respond to treatment, and contribute well to profits during the second half. Meanwhile, the bank note business is doing well as Third World customers benefit from lower oil prices, while Crosfield, the engine of the recent growth, should continue to thrive as Fleet Street abandons old technology for new. At yesterday's price of £10¼, the shares are still on a below average rating—assuming profits of £55m the p/e is less than 11. Despite its Third World exposure and the cyclical nature of its business the rating is not generous.



Brazilian side pegs McCorquodale

LOWER RETURNS from the associate companies have held back the rate of profit growth to 14.6 per cent at McCorquodale in the half year ended March 31 1986.

Sales in the period rose 2.5 per cent to £81.2m. Group operating profit was ahead £1.44m to £4.45m mainly coming from the UK and US. But the contribution by associates fell to £1.32m (£2m) principally because the Brazilian side has not been able to match the exceptional profit of last year.

After interest payable less investment income £1.48m (£1.46m), the pre-tax profit works through at £5.77m, compared with £5.03m. March produced record profits and the figures for April were also good, the directors report.

With an effective tax rate of 31 per cent, earnings have risen 14 per cent to 7.82p (6.85p). The interim dividend is lifted to 2.75p (2.3p) net.

The international security printing division had a good half year and increased profits strongly. Book and magazine business made excellent progress although start-up costs of installing new capacity in magazine printing affected the results.

Publishing in the US is performing well and will benefit from continued product development. Packaging and international colour card business improved its contribution.

The group's businesses are benefiting from additional capacity, reduced overheads and full order books. The major capital expenditure programme will be complete by the end of the year and will have a strong impact on cash flow.

The head office is being closed and replaced by a corporate office which should save £1m annually, and pension costs are expected to be reduced by some £2m in a full year.

In early March, McCorquodale received a £110m share exchange offer from Norton Opax, which it rejected as unsolicited and unwelcome. The following month the bid was referred to the Monopolies Commission, and lapsed.

● comment

The City was in two minds about how much profit McCorquodale would produce at the end of the first half, and in the event the result was worse than some had expected. But if the company has erred on the side of caution in drawing up these figures, it has acted wisely to save up a strong second half with which to smack Norton Opax, if it emerges from the Monopolies Commission with permission to proceed with its hostile bid. In the meantime, McCorquodale seems to be doing well enough to keep its shareholders happy, and yesterday's news of a three-year pension holiday was an unlooked for bonus. In the second half, the security printing division should continue to make gains in both productivity and market share, while the magazine division should start to reap the benefits of recent new contracts, which until now have been a drain on profits. On a full year figure of £12.5m pre-tax, a p/e ratio of 12 is fully justified by the company's prospects and owes nothing to hopes of a fresh bid.

Sheraton Securities' £1m surge

Property investor and dealer Sheraton Securities International reports an advance in pre-tax profit from £1.34m to £2.32m for the year ended March 31 1986.

A final dividend of 0.5p gives a net total of 0.75p (0.5p)—Sheraton is traded on the USM.

Sheraton has completed the acquisition of Caversham Bridge group for £1.75m

In 1985-86 net property income rose to £2.52m (£1.47m), to which was added interest capitalised £1.46m (£782,000) and related companies £133,000 (loss £72,000). Interest payable came to £1.79m (£832,000).

Earnings were 2.7p (1.6p) basic and 2.5p (1.5p) fully diluted.

We designed the 9800 to grow the way your business grows.

Most businesses don't grow by leaps and bounds.

They grow gradually.

But if you need to add to your mainframe gradually, to keep up with your business, you're in trouble.

You may have to spend a lot more money than you want, buying a lot more computer than you need.

Well, NCR is changing that.

If you have an NCR 9800, you can expand your system in smaller slices than with any conventional mainframe.

And you can custom-fit the 9800 with job-specific modules.

Which means, it doesn't matter if you do more on-line transaction processing, or more batch processing, the 9800 does both more efficiently than other systems.

And that can save huge amounts of money.

So, if you're a growing company, the 9800 can help keep you growing.

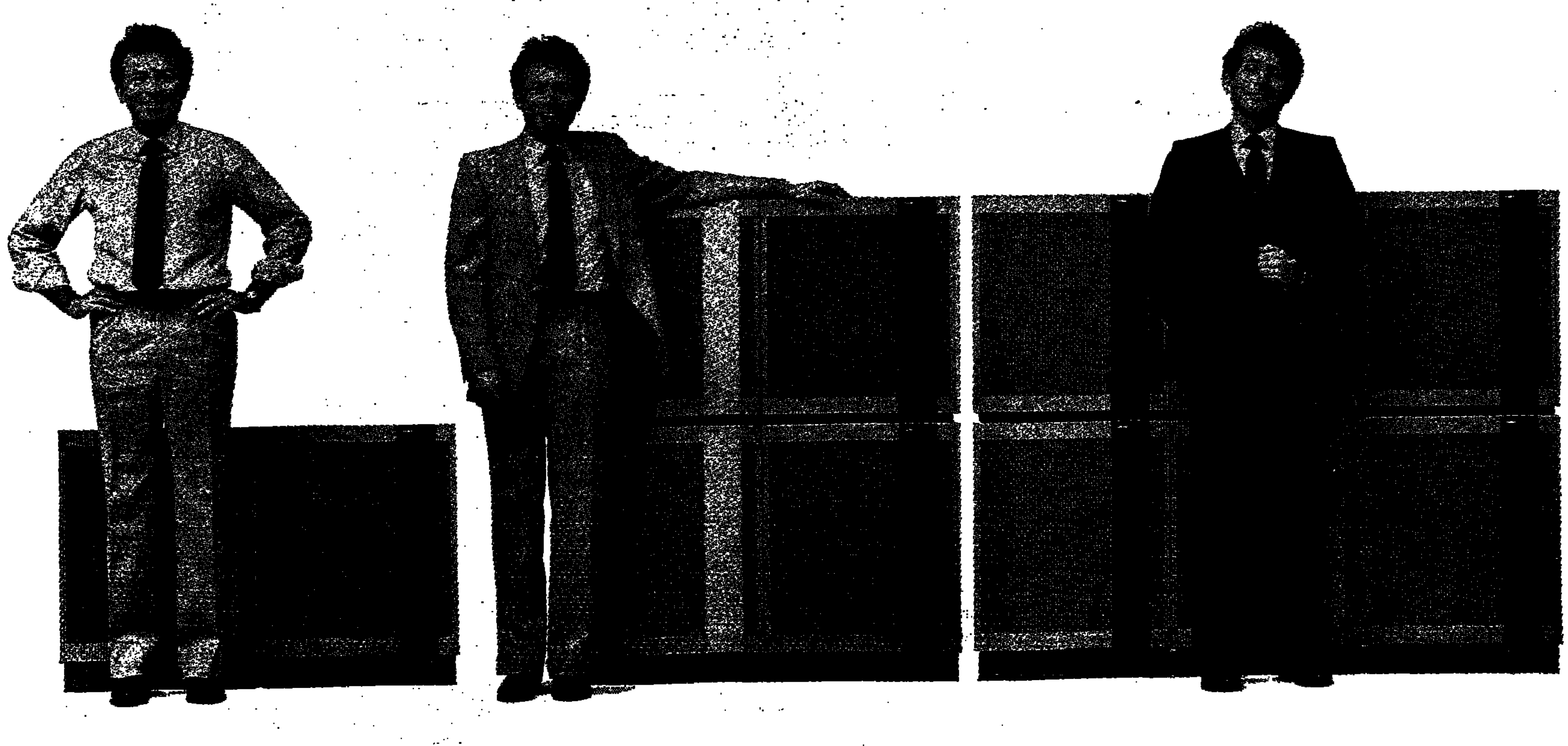
Why are we telling you all this?

We want to keep growing, too.

For more information, contact your local NCR representative.

NCR 9800. The evolution of the mainframe.

NCR



UK COMPANY NEWS

Leigh makes £6m rights to reduce borrowings

BY ALICE RAWSTHORN

Leigh Interests, the waste disposal group, has produced record profits of £1.62m on turnover of £37.58m in the year to March 31 and has announced a rights issue which will raise £5.9m to reduce borrowings and finance further acquisitions.

In the rights issue, Leigh will release 6.219m convertible preference shares. Each shareholder will be entitled to two convertible preference shares for every five ordinary shares. The issue has been underwritten by Kleinwort Benson.

The proceeds of the issue will be used to reduce borrowings, which rose by £8.1m to £15.7m after the acquisition of MJI last May. Gearing will thus be reduced from 132 per cent to a more manageable 55 per cent.

"Once borrowings have been reduced to more reasonable levels we will be in a position to take advantage of acquisition opportunities," said Mr Bill Pybus, Leigh's chairman. "We envisage acquisitions which will increase market share in existing areas and to expand into new geographical areas, particularly Scotland and the South East."

In the last financial year Leigh increased turnover by 53 per cent to £37.58m and pre-tax profits by 43 per cent to £1.62m. Trading profits rose by 83 per cent to £3.83m but because of the high level of borrowings, interest payments whisked away £1.762m.

Leigh has already incorporated MJI's waste disposal activities within its own operation. The non-waste disposal divisions acquired through MJI — which range from fork lift trucks to shop fitting — produced a loss of £275,000. Leigh plans to dispose of these divisions. It has already raised £1.9m through disposals and expects to generate £4m in the course of the current financial year.

The company is to pay a dividend of 3.75p a share, an increase of 25 per cent

● comment

In many ways the MJI acquisition looked like a retrogressive step for Leigh Interests. Having slowly but surely shed its non-waste disposal interests through the mid-1980s, Leigh suddenly found itself lumbered with a new crop of loss makers. The company admits that MJI was in a worse state than it expected, but maintains that the deal was worthwhile to acquire the core waste disposal interests. After the rights issue and the sale of the loss makers Leigh will be in a position to expand again and expects to move into the South East and Scotland. Although the company is optimistic that the *Government's new found* enthusiasm for clean-up campaigns will spill over into the industrial sector, at best it can expect a slender improvement in margins this year. The real scope for growth lies within new high-tech, high margin areas such as the low level nuclear waste and toxic chemicals fields. After a sharp fall in interest payments the City expects profits of £2.3m this year, producing a fully diluted p/e of 16.5 on yesterdays share price which rose by just 1p to 118p.

Strong UK side lifts Sketchley to £11.6m

A STRONG and improving situation in the UK, where profits grew by 17 per cent, enabled Sketchley to record a near 16 per cent rise in its pre-tax results for the 1985-86 year.

The US operations, however, suffered a reduced level of profitability in the second six months although this was partly offset by a realised pension fund surplus amounting to £1.3m.

In the US the group has disposed of Sketchley Services for £25.5m and the Diaper business there, which has suffered a decline in its profits due to competition and insurance costs, is under review.

At home Sketchley has paid £3.5m in cash and loan notes for CCM, a uniform and workwear company which made net profits of £400,000 in the year to February 1986 on sales of £4.4m.

Group turnover for the year under review (to March 28 1986) declined from £157.14m to £153.15m but, at the pre-tax level, profits pushed ahead from £10.03m to £11.61m.

The figures included exceptional credits of £1.89m (£1.38m) but took no account of the results of Breakmate, which was acquired at the end of the financial year.

Interest charges were cut by £1.18m to £468,000 but tax took £298,000 more at £4.16m. There was also an extraordinary credit of £1.65m (charge £695,000), reflecting the disposal of the Los Angeles business.

Earnings emerged at 32.2p (26.7p) and a final dividend of 12.5p raises the net total to 17.5p, an increase of 14 per cent over the previous year's 15.3p.

● comment

Selling off dull bits and expanding star performers is nothing new to management strategy documents but at least Sketchley is turning well meaning phrases into action. And so to a certain extent these figures are academic. Much of the US business has already departed, leaving a healthy cash balance in its wake, and the rump of the operation, US Diaper, looks likely to make its exit before long. Canada, sole survivor of the management's earlier grand plans for the other side of the pond, may not be turning in brilliant numbers but it is well based and can be expanded into the US. *However it is the UK where* Sketchley is buying. Yesterday's purchases is the third acquisition within a year and again extends the core service operation. But it is a small deal and with net cash mouldering in the balance sheet the new chief executive will be looking for something of a size. Which is what Sketchley is all about; as it stands it could make £14m pre-tax this year but in 12 months time the group will have moved on. A historic p/e of 15.3 at 494p has a small element of bid speculation but the incumbents deserve a chance to turn Sketchley into a growth company again—so far they are going the right way about it.

N. Brown profits at record £6m

N. Brown Investments, the Manchester-based direct mail order company, lifted taxable profits by 33 per cent in the year to March 1 1986. Profits at £6.1m were £1.53m up on the comparable period, and a record for the group.

Turnover rose from £42.7m to £57.41m, and Mr David Alliance, the chairman, says that sales in the first three months of the current year were comfortably ahead. "Although the poor spring weather has affected the mix of merchandise sales during this period, all our group categories have been well received," he added.

The final dividend is raised from 6p to 7.5p, making a 2.25p increase for the year to 11.25p. Earnings per share were nearly 40 per cent up at 28.9p.

Country Garden, one of the group's three catalogues which was acquired last May, added £1.3m to sales, but a small loss was incurred as a result of reorganisation. It was not expected to be profitable in its first year, and the chairman is confident about its future prospects.

The company has two other catalogues, of which the largest is the JD Williams Group, accounting for about 90 per cent of turnover.

A smaller catalogue, Heather Valley, sold 60 per cent more than last year at £3.2m, and is continuing to expand rapidly. The group is committed by organic growth and by acquisition, says Mr Alliance, and is actively seeking suitable opportunities. It offers insurance and other financial products to its customers, and this is expected to provide a useful contribution to profits this year. The group also stands to benefit from falling interest rates.

The tax charge was £2.48m against £1.98m, and after the higher dividend of £1.41m (£1.13m) retained profits came to £2.3m (£1.36m).

Sturge sees £8.9m for full year

Pre-tax result of **Sturge Holdings**, Lloyd's underwriting agent, rose from £1.92m to £2.31m for the six months ended March 31 1986 and directors forecast a full year outturn of some £8.9m. This is compared with £7.36m previously.

The directors say that interim results include those of R. A. Edwards for the whole period, but that comparisons include only the income and operation expenses attributable to the period following the acquisition at the end of February 1985.

Turnover expanded from £1.85m to £2.86m for the six months and was mainly derived from the salary (fee) income earned from the syndicates managed by the group. This is reflected in the increase in net premium capacity from £470m to £685m for the 1986 underwriting account.

After midterm tax of £992,000, against £845,000, earnings are shown as 5.13p (4.02p) per 20p share while the interim dividend is up by 50 per cent to 3p (2p).

Chapman down 35% after higher interest

Higher interest charges, arising from the financing of acquisitions and new activities, reduced pre-tax profits of **Chapman Industries**, envelope maker, by 35 per cent from £1.02m to £657,000 for the year ended March 29, 1986.

Turnover rose 35 per cent to £28.7m (£21.3m) while operating profits were unchanged at £1.34m. But net interest charges more than doubled from £319,000 to £684,000 and after-tax earnings per share were lower at 10.9p (21p). The dividend is held at 8.4p net with a final of 6.1p (same).

The directors say disappointing figures from Inveresk Stationery and the heavy start-up costs in Chapman Graphics, the new venture in flexographic printing, held back the overall performance.

Plysu hits £4.6m and set for investment benefits

Plysu made further headway during the second six months and for the full 1985-86 year achieved a profits rise of £695,000 to £4.57m at the pre-tax level.

Group sales, including Holland for the whole year compared with only six months for the previous year, improved by 22 per cent to £34.03m. The 18 per cent profits advance hardly benefited from Holland and the directors say the improvement would have been better but for an unusually quiet end to the year.

Earnings for the past year (to March 31, 1986) improved to 11.9p (9.8p) and a final dividend of 1.9p makes a total of 2.7p (2.17p adjusted) net per 10p share. A further scrip issue on a one-for-two basis is also proposed.

Tax accounted for £1.71m (£1.56m).

The company makes plastic containers, domestic wares and protective clothing.

The directors say the benefits of a continuing programme of capital investment, particularly in lightweight consumer packs for milk and fruit juice and improvements in productivity through automation, are becoming more evident.

BOARD MEETINGS

TODAY

Interims: Fleming American Investment Trust, Valin Pollen International.

Finals: Century Oils, J. S. Pathology, Johnson and Firth Brown, Reed International, TR North America Investment Trust.

FUTURE DATES

Interims:

Bett Brothers	June 26
Lada Investment Trust	July 22
Westland	June 12

Finals:

BPB Industries	June 25
British Benzol	June 9
Brownlee	June 12
Cropper (James)	June 23
Electrocomponents	June 10
Elliott (B.)	June 12
Great Portland Estates	June 10
Highland Participants	June 5
M & G Second Dual Trust	June 11
New Throgmorton Trust	June 10
Prprty. and Reversionary Invs.	June 9
Sarasota Technology	June 11
Valor	June 11

FT LAW REPORTS

Non-party liable for costs

AIDEN SHIPPING CO LTD v INTERBULK LTD
House of Lords
(Lord Bridge of Harwich, Lord Brightman, Lord Mackay of Clashfern, Lord Ackner and Lord Goff of Chieveley): May 22 1986

***THE COURT'S* discretion to order costs is wide and is not limited to ordering costs against parties only; and accordingly, where two cases are heard together, whether or not by formal order, the court has power to make a global order for costs relating to both cases, so that a party to one case may be held liable for costs incurred in the other to which he was not a party.**

The House of Lords so held when allowing an appeal by Interbulk Ltd, charterers of the Vimeira, from a Court of Appeal decision that costs incurred by them in proceedings against sub-charterers to extend the scope of remission of an arbitration award could not be recovered from the shipowners, *Aiden Shipping Ltd*.

Section 51 of the Supreme Court Act 1981 provides: ". . . the costs of and incidental to all proceedings . . . in the High Court . . . shall be in the *discretion of the court and the* court shall have full power to determine by whom and to what extent the costs are to be paid."

Order 62 rule 2(4) of the Rules of the Supreme Court provides: "The power and discretion of the court as to costs under section 51 of the Act (which provides . . . that the court shall have full power to determine by whom . . . the costs are to be paid) . . . shall be exercised subject to and in accordance with this order."

* * *

LORD GOFF said that the owners chartered the Vimeira under a time charter dated April 11 1979. The charterers sub-chartered her by a voyage charter dated November 8 1979. Both charters contained safe port clauses.

Under those charters the vessel discharged a cargo of grain in the Rodenhizedok at Ghent. When she left the dock she was found to have suffered damage to her rudder.

The owners commenced arbitration proceedings against the charterers and the charterers commenced arbitration proceedings against the sub-charterers, claiming to be indemnified against any liability they might *owe to the owners*.

The arbitrations were held separately. The charterers were held liable to the owners and the sub-charterers were held liable to the charterers. However both arbitrations were remitted to the arbitrators on certain points.

The owners applied for an order further remitting the award in the head-arbitration to enable them to raise a new point, and the charterers then sought the same relief in the sub-arbitration. Both motions were heard together by Mr Justice Hirst in November 1984. He dismissed the owners' application against the charterers and the charterers' application against the sub-charterers.

A question then arose as to the order for costs. It was plain the charterers were entitled to an order against the owners and that the sub-charterers were entitled to an order against the charterers. But the question was whether the judge had jurisdiction to order that there should be included in the charterers' costs which the owners were liable to pay, the costs which the charterers were ordered to pay to the sub-charterers.

The judge held that, having regard to the wide terms of section 51(1) of the Supreme Court Act 1981, he had jurisdiction to make such an order. He therefore ordered that the owners pay the charterers' costs of the application, such costs to include any costs paid by the charterers to the sub-charterers.

The owners appealed. Sir John Donaldson MR, giving the judgment of the Court of Appeal, observed that common sense and justice suggested strongly that the judge was right.

However, on the basis of two earlier Court of Appeal decisions, *Forbes-Smith [1901] P258* and *John Fairfax & Sons [1958] 1QB 323* he concluded that the jurisdiction to award costs of and incidental to proceedings was confined to an award against the parties. It was against that decision that *the charterers now appealed*.

The main issue was whether there was to be implied into section 51(1) of the 1981 Act a limitation restricting orders as to costs to orders made *against parties to the relevant* proceedings.

The jurisdiction conferred by section 51(1) was expressed to be subject to the rules of court. It was therefore open to the rule-making authority (the Supreme Court Rule Committee) to make rules which controlled the exercise of the jurisdiction.

The present rule, Order 62 rule 2(4), simply provided that the court's powers as to costs "shall be exercised subject to and in accordance with this order."

Section 51(1) provided that the court should have "full power to determine by whom" the costs were to be paid.

Such a provision was consistent with a policy under which the jurisdiction was expressed in wide terms ensuring the court, as far as possible, had freedom of action, leaving it to the rule-making authority to control the exercise of the discretion by rules of court, and to the appellate courts to establish principles on which it might be exercised within the statutory framework.

In *Forbes-Smith* Sir Francis Jeune, referring to section 5 of the Supreme Court of Judicature Act 1890, which was for all material purposes identical to section 51(1) of the 1981 Act, said: "It cannot be supposed for a moment that a person not interested in or connected with the proceedings could be ordered to pay the costs of them."

In the Court of Appeal in the same case Lord Justice Collins said: "Some limitation must be put on the generality of the words. They cannot enable the court to order the costs to be paid by a stranger to the proceedings; they can only mean that the court may order the costs to be paid by any of the parties."

That case was followed and applied by the Court of Appeal in *John Fairfax and Sons*.

There Lord Justice Jenkins said: "When the rule says that costs are to be in the discretion of the court . . . it cannot mean that the court . . . can direct the costs . . . to be paid by any person . . . whether he is a party to the proceedings or not. Some limit must be placed on *the language* . . . *the limit is* this: that the court has a discretion to order the costs . . . to be paid by the parties . . . as the court in its discretion thinks right."

Neither of those decisions was binding on the House of Lords and, having regard to the terms of section 51(1), should not be followed. There was no basis for the proposed limitation on the express words of the statute.

In the vast majority of cases it would no doubt be unjust to make an award of costs against a person who was not party to the relevant proceedings. But, as the facts of the present case showed, that was not always so.

In the present case the two motions were heard together without any formal order being made; but in such a case, and also in a case where a formal order had been made, one reason why that course of action was taken might be to achieve a saving of costs.

If two separate sets of proceedings were heard together, because they had common features, it might be a matter of pure chance whether the expense of presenting an argument or evidence relevant to the common features fell within one or other of the two sets of proceedings. Sometimes it might be very difficult to attribute costs to one set of proceedings rather than the other.

It was surely consistent with the interests of justice that, in such a case, the court's jurisdiction to make a global order for costs relating to both sets of proceedings should not be fettered by the imposition of an implied limitation on that jurisdiction.

The appeal should be allowed. Their Lordships agreed.

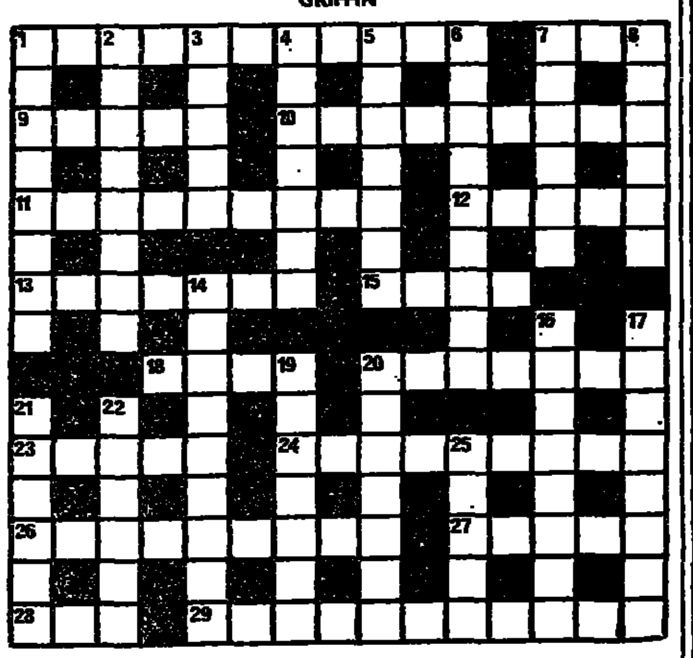
For the charterers: Bernard Rix QC and Simon Gault (William A. Crump & Son).

For the owners: David RN Hunt (Middleton Lewis Lawrence Graham, for Ingledew Botterell Roche & Pybus, Newcastle-upon-Tyne).

By Rachel Davies
Barrister

FT CROSSWORD PUZZLE No 6,038

GRIFFIN



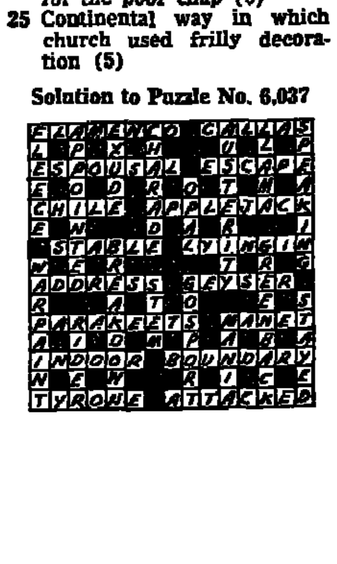
ACROSS

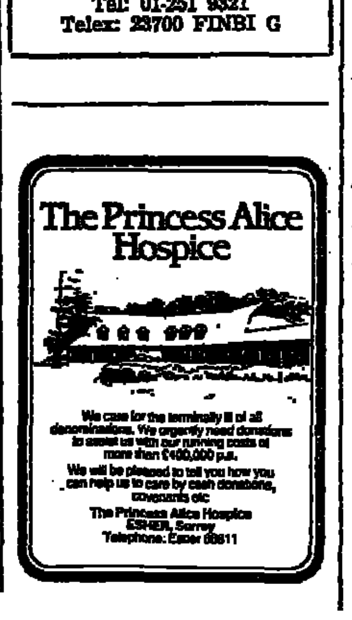
1 Opening wine after work by mutual agreement (11)
7 Taught many before getting a prize (3)
9 Beat both moves, getting right into the centre (5)
10 Not having made arrangements for one's departure? (9)
11 Sound device in the Imperial turned out to be loud (9)
12 Composer has broken leg and bad heart by the end of December (5)
13 Furious gear change made when entering the terminus (7)
15 Delivered crackers with a cream centre (4)
18 Hand pole to fool backwards (4)
20 Lays out some money for the plant (7)
23 Start hunting, in any odd way, for an animal (5)
24 Gripping awkwardly, grabs bin with nothing in (9)
26 The beautiful girl is hiding a gun inside a trifle (9)
27 He murdered the second of three in a train (5)
28 Look for a fair 50% (3)
29 Shown material made to go in a pipe (11)

DOWN

1 When abroad, father consumes tea endlessly, being old-fashioned (8)
2 Sweat like a salesman climbing a steeple! (8)
3 Jewish doctor provided painter with a new bib (5)
4 The flustered nude, if I entered, made one (7)
5 Bury motorway turning is temporary (7)
6 When Ted's year is over by the end of May (9)
7 Grace Cook, the hothead, is in custody (6)
8 Short-story writer with sample verse (6)
14 The surety ran to a rug replacement (9)
16 One's hoping the artist mixed enough paints to go round (8)
17 "The Wise Men are inside," one man supposed (8)
19 Bringing a bribe round, shout for shellfish (7)
20 Ascetic in a tree, possibly American (7)
21 Fear the old boy in a hip operation shows (6)
22 Urge the band to go round for the poor chap (6)
25 Continental way in which church used frilly decoration (5)

Solution to Puzzle No. 6,037





FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Sentinel Funds Mngmnt Ltd
30 City Road, London EC1Y 2AY 01-638 6011
Dealing: 01-628 6626

American Majors	71.3	76.3	-1.4	1.12
Amer Tech & Gen Fd	105.3	112.7	-1.9	0.55
European Growth	30.0	32.1	+0.3	0.03
European Income	35.1	37.4	-0.4	4.00
Exempt	535.4	572.9	—	2.03
Intl Growth Fd	27.9	29.8	—	0.13
International Income	55.4	59.3	-0.3	4.96
Jap Tech & Gen	94.2	100.8	—	0.01
Pacific Fund	159.7	170.9	—	0.01
Secure Income Fd	173.0	185.1	+0.5	4.54
Small Co's Fd	37.4	40.0	+0.1	1.45
Special Sits	213.3	228.2	+1.6	2.18
UK General Fund	33.7	36.0	—	2.32

Standard Life Trust Mgmt. Ltd
3 George St, Edinburgh EH2 2XZ 0800 393777

Managed Trust Acc.	24.2	25.9	—	3.00
UK Equity Gth Tst Acc	24.2	26.0	+0.1	2.00
UK Equity High Inc Inc	24.1	25.8	+0.1	5.00
UK Equity Gen Tst Acc	27.6	29.6	+0.1	3.06
UK Equity Gen Tst Inc	25.0	26.8	+0.1	3.06
Gilt & Fxd Int Tst Inc	23.4	25.0	—	8.00
Nrth Amer Tst Acc	25.0	26.8	-0.2	2.00
Far East Trust Acc	23.8	25.5	-0.1	0.75
European Trust Acc	23.4	25.1	+0.1	1.25

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh 031-226 3271

American Fund	233.2	249.4	-5.7	2.35
(Accum. Units)	261.9	279.0	-6.3	2.35
(Withdrawal Units)	163.7	174.4	-4.0	2.35
Australian Fund	115.6	123.1	-3.1	1.09
(Accum. Units)	117.6	125.2	-3.1	1.09
British Fund	586.4	624.5	-0.6	4.44
(Accum. Units)	789.9	841.2	-0.8	4.44
European Fund	261.8	278.8	+4.3	1.01
(Accum. Units)	275.7	293.6	+4.6	1.01
Japan Fund	289.8	308.6	+2.5	0.23
(Accum. Units)	291.2	310.2	+2.5	0.23
Sales PPP	158.2	166.6	—	—

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham 0403 56293

Equity Tst	387.6	412.3	+1.7	2.24
North America	60.7	64.5	-0.5	1.00
Far East	70.7	75.2	-0.2	0.04
Worldwide Bond	47.0	50.0	—	7.5

Abbey Life—Continued
Pension Funds

Property	350.3	368.8	—	—
Equity	750.3	790.0	—	—
Selective	248.4	261.5	—	—
Managed	611.8	644.1	—	—
Security	329.6	347.0	—	—
Fixed Int.	203.9	214.7	—	—
European	165.6	174.4	—	—
American	228.1	240.2	—	—
Japan	227.7	239.7	—	—

Aetna Life Insurance Co Ltd
401 St John St, London EC1V 4QE 01-833 2903
Life Funds (Accumulator Units)

Squirrel	10.48	11.04	—	—
Bear	11.20	11.79	-0.03	—
Owl	11.68	12.30	+0.03	—
Bull	12.79	13.47	-0.02	—
Stag	12.34	12.99	-0.03	—
Gilt-Edged		11.21	-0.01	—
Deposit		9.65	+0.01	—

Pension Funds (Accumulator Units)

Squirrel	11.09	11.68	—	—
Bear	12.03	12.67	-0.02	—
Owl	12.59	13.26	+0.04	—
Bull	14.26	15.02	-0.03	—
Stag	13.71	14.44	-0.03	—
Gilt-Edged		12.27	-0.02	—
Deposit		9.75	—	—

Exempt Approved

Mixed Managed	130.63	133.30	+0.27	—

Albany Life Assurance Co Ltd
3 Darkes Lane, Potters Bar 0707 42311

Equity Fd. Acc.(z)	710.2	747.5	+1.8	—
European Fd Accum(z)	189.0	198.9	+3.8	—
Fixed Int. Acc.(z)	306.3	322.5	+0.6	—
Gtd. Money Fd. Acc.(z)	197.1	207.5	+0.1	—
Intl. Man. Fd. Acc.(z)	300.5	316.3	+1.5	—
Intl Fxd Int Fd Acc(z)	175.2	184.4	+0.2	—
Japan Fund(z)	225.9	237.8	-0.2	—
Nth American Fd Acc(z)	172.5	181.6	+0.7	—
Prop. Fd. Acc.(z)	199.1	209.6	—	—
Multiple Inv. Acc.(z)	501.3	527.7	+1.7	—

Pension Funds

Eq Pen Fd Acc(z)	1279.0	1346.2	+4.6	—
Euro Fd Acc(z)	239.1	251.6	+4.8	—
Fixed Int. Acc.(z)	573.0	603.1	+1.8	—
Gt Money Pn Acc(z)	319.0	335.7	+0.3	—

Sun Life Trust Mgmt. Ltd
107 Cheapside, London EC2V 6DU 01-606 6010

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Money Market Trust Funds

The Money Market Trust
63 Qn Victoria St, EC4N 4ST 01-236 0952

Call Fund	10.04	7.50	10.95	6mth
7-day Fnd	10.19	7.62	11.12	6mth

Oppenheimer Money Management Ltd
66 Cannon St, EC4N 6AE 01-236 1425

Call Fnd	9.59	7.17	10.28	6-Mth
7-day Fund	9.65	7.21	10.34	6-Mth
Dollar	6.94	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Chq Acc	9.25	6.80	9.82	Qtr
Aitken Hume 30 City Road, EC1Y 2AY 01-638 6070				
Treasury Acc	9.25	6.91	9.99	Qtr
Mth Int. Chq.	9.25	6.91	10.04	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
HICA	10.5	7.85	11.46	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	9.40	7.02	10.22	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	9.50	7.10	10.3338	Qtr
Britannia Investment Services Ltd. 74-78 Finsbury Pavement, EC2A 1JD. 01-588 2777				
Cater Allen	9.50	7.10	10.3338	Mth
Charterhouse Bank Limited 1 Paternoster Row, EC4M 7DH. 01-248 4000				
Sterling	9.625	7.19	10.47	Mth
U.S. Dollar	6.25	4.67	6.72	Mth
German Marks	4.00	2.99	4.27	Mth
Swiss francs	1.50	1.12	1.59	Mth
Japanese Yen	4.50	3.36	4.50	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-741 4941				
Money Market Plus	£5,000+	7.40	10.79	Mth
For other rates please phone our Rateline 01 846 9168				
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543				
£500-£2,500	6.69	5.00	7.18	Qtr
£2,500 +	9.38	7.00	10.12	Qtr
Dartington & Co Ltd Dartington, Totnes, Devon TQ9 6JE 0803 862271				
Money Mkt Acc	9.50	7.10	10.30	Qtr
Edward Manson & Co Ltd 9 Henrietta Place W1M 9AG 01-631 3313				
Cheque Deposit Acc	10.00	7.47	10.88	Mth
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc	9.40	7.02	10.22	Mth
Legal & General (Money Mngrs) Ltd 355 Euston Road, NW1 3AG 01-388 3211				
High Int Dep Acc	10.37	7.75	11.11	6-mth
Lloyds Bank PLC 71 Lombard St, London EC3P 3BS 01-626 1500				
HighIntCheque Account	9.00	7.20	10.42	Qtr
Lombard North Central PLC 17 Bruton St, W1A 3DH 01-409 3434				
14-Day Notice	9.75	7.47	10.52	—
M & G/Kleinwort Benson M & G Hse., Victoria Rd., Chelmsford 0245 266266				
H.I.C.A. (£2,500+)	9.31	6.96	10.12	Daily
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8655				
High Int Chq Acc.	9.03	6.75	9.51	Qtr
£10,000 +	9.36	7.00	9.86	Qtr
NatWest Special Reserve Account 41 Lothbury, London, EC2P 2BP 01-256 9933				
£2,000 to £9,999	9.25	6.875	9.94	Qtr
£10,000 and above	9.375	7.00	10.12	Qtr
Oppenheimer Money Mgmnt Ltd 66 Cannon St, EC4N 6AE 01-236 1425				
Money Mngt Acct	9.125	6.82	—	3-Mth
Phillips & Drew Trust Ltd 120 Moorgate, London EC2M 6XP 01-628 9771				
High Int Chq Acc	10.00	7.48	10.83	Qtr
Provincial Trust 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
High Int Chq Acc	10.50	7.85	11.43	Mth
Royal Bank of Scotland plc 42 St Andrews Sq, Edinburgh EH2 2YE. 031-557 0201				
Premium Account	9.70	7.25	10.49	Qtr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	9.36	7.00	10.21	Daily
Tyndall & Co 29-33 Princess Victoria St, Bristol 0272 732241				
Demand Acc	9.79	7.28	10.54	Qtr
Money Acc	9.69	7.25	10.49	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc	9.00	6.73	9.77	Mth
Over £10,000	9.25	6.90	10.03	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL1 5SE 0752 24141				
High Int Chq Acc	10.00	7.48	10.83	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ∅ Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p	Marks & Spencer	18
Allied-Lyons	28	Midland Bk	44
BAT	38	NEI	11
BOC Grp	32	Nat West Bk	70
BSR	14	P & O Dfd	45
BTR	45	Plessey	20
Babcock	20	Polly Peck	16
Barclays	45	Racal Elect	17
Beecham	32	RHM	20
Blue Circle	55	Rank Org Ord	48
Boots	26	Reed Intnl	75
Bowaters	30	Sears	12
Brit Aerospace	48	TI	42
Brit. Telecom	17	Tesco	30
Brown (J.)	3	Thorn EMI	35
Burton Ord	32	Trust Houses	12
Cadburys	17	Turner Newall	18
Charter Cons	22	Unilever	125
Comm Union	28	Vickers	40
Courtaulds	26	Wellcome	19
Distillers	52	**Property**	
FNFC	15	Brit Land	16
Gen Accident	75	Land Secs	30
Gen Electric	17	MEPC	32
Glaxo	100	Peachey	24
Grand Met	34	Samuel Props	18
GUS 'A'	75	**Oils**	
Guardian	75	Brit Oil & Min	2½
GKN	32	Brit Petroleum	48
Hanson Tst	16	Burmah Oil	30
Hawker Sidd	52	Charterhall	3
ICI	58	Premier	3½
'Imps'	28	Shell	55
Jaguar	27	Tricentrol	15
Ladbroke	32	Ultramar	18
Legal & Gen	79	**Mines**	
Lex Service	38	Cons Gold	40
Lloyds Bank	55	Lonrho	25
Lucas Inds	60	Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

LCE to introduce traded options

BY ANDREW GOWERS

THE LONDON Commodity Exchange has decided to introduce traded options on its sugar, cocoa and coffee futures contracts, possibly starting in May of next year, in a bid to broaden its range of services and make itself more attractive to private investors.

Mr Saxon Tate, LCE chairman, said yesterday that the exchange's board had given the go-ahead for the introduction of traded options last Friday. It should take place as soon as possible after the exchange's move to its new premises near the Tower of London, which is now planned for next Easter.

Options are increasingly regarded as an attractive addition to traditional commodity and financial futures contracts, both in the US and in Britain. Futures enables sepculators and hedgers to "lock in" a price for the purchase or sale of a commodity on a particular date. Options, on the other hand, are coming to be seen as more flexible and less risky since they merely confer on the buyer the right to buy or sell, with no obligation to do so if the market moves adversely.

As Mr Tate sees it, the introduction of options on sugar, coffee and cocoa futures will mark another step towards the opening up of the LCE to individual floor traders, known in the US as "locals." They are at present barred from belonging to the exchange, in contrast to the London International Financial Futures Exchange, for example. Broadening of the membership is seen by many observers as crucial if the LCE is to succeed in boosting its relatively depressed trading volumes.

"The implication of this is that we must get the local membership going," said Mr Tate. "As well as volume itself, the options will add another product. If we are to attract locals, we need a well-developed product line.

"The London markets badly need to attract more volume, and options are a marvellous way of doing that." said an enthusiastic sugar trader.

The LCE decided earlier this year to turn itself into a limited company in order to streamline its management, and is now working on a business strategy. However, the board has not yet decided in principle to admit locals, and there are signs that Mr Tate still faces strong opposition to his plans from some exchange members.

Mr Saxon Tate, the LCE chairman

"Moving to (the new headquarters at) Commodity Quay offers a once-and-for-all opportunity to restructure these markets," said one LCE official. "But there are some very strong vested interests on the trading floors." One possible change which Mr Tate already seems to have ruled out as a result is a move over to a "pit" system of trading in sugar, coffee and cocoa, which would have been one way of enhancing liquidity (although the International Petroleum Exchange, an LCE offiliate, has decided to adopt the pit style when it moves to the new premises).

The exchange is currently conducting extensive market research among its members to try to discover what it should be doing to develop its business.

According to figures presented to last Friday's board meeting, turnover in the LCE contracts was up by 7 per cent in the 12 months ending last April from the previous year. In New York, by contrast volume in the equivalent contracts was up by 24 per cent.

Commodity prices and the dollar factor

By Stefan Wagstyl

DOLLAR COMMODITY prices are far more responsive to the currency's movements than might be expected, according to a World Bank report.

In a study of the effect of the rise of the US dollar on the foreign exchanges in the early 1980s, Mr Christopher Gilbert suggests that under certain conditions a 10 per cent rise in the dollar may reduce dollar commodity prices by more than 10 per cent, so cutting prices in all currencies. The effects are most marked on metals and minerals prices.

The report says the rise in the dollar has a two-fold effect. Firstly, there is a direct response of commodity prices to the dollar; secondly there is an indirect response which results from the impact of the dollar's appreciation on dollar-dominated debt.

Mr Gilbert says that this indirect response is the most intriguing aspect of his study. He suggests three possible explanations—either the dollar's appreciation makes commodity exporters feel poorer and so pushes down prices; or it increases the burden of dollar-denominated debt forcing an increase in exports; or finally the dollar's rise produces a greater-than-expected depreciation in the currencies of exporting countries, reducing their wage costs.

Mr Gilbert calculates that the overall elasticity—responsiveness—of the World Bank's commodity prices indext to the value of the dollar averaged 0.9, that is a 1 per cent rise in the dollar would produce a 0.9 per cent fall in the index. He puts the direct effect at 0.6 and the indirect impact at 0.3. For food commodities the elasticity was 0.9, for agricultural raw materials 0.8 and for metals and minerals 1.1.

The report says that the interaction between the rise of the dollar and dollar-denominated debt is responsible, to a not inconsiderable extent, for current and recent low primary commodity prices.

Ivorians cancel cocoa contract

BY PETER BLACKBURN IN ABIDJAN AND ANDREW GOWERS IN LONDON

THE Ivory Coast has cancelled a five-year management contract with Gill and Duffus, the London-based commodity trader, for one of the country's four coca processing companies —16 months before it was due to expire.

The termination of the contract, with the locally-owned Produits de Cacao de Cote d'Ivoire (Procaci), follows reports of friction between the Ivorian authorities and Gill and Duffus over the operation.

However, the Ivorian Ministry of Agriculture declined to comment on the reasons for the early contract termination. Gill said yesterday that the decision to end its involvement was "amicable' 'and resulted from a desire on the part of the Ivory Coast to increase local involvement in the project.

"Essentially they want to run it themselves," the company said. "Obviously one is sad to leave early. But all these agreements are open to discussion. If one party wishes to terminate (the agreement), that's the way is goes."

Gill & Duffus, a subsidiary of Dalgety, took over the management of Procaci in 1982 from the Interfood group of Switzerland (now part of Jacobs Suchard), which sold a 40 per cent stake in the project. It was due to stay until October 1987.

Procaci, partly owned by the state commodity marketing agency, the Caisse de Stabilisation, is an important part of the Ivory Coast's efforts to boost local processing of cocoa, of which it is the world's largest producer and which accounts for 40 per cent of its foreign exchange receipts.

Cocoa products such as butter, liquor and powder are seen as providing increased and more stable export earnings than beans. In 1984, product exports were worth $214m. Processing also contributes to industrial development and provides about 1,000 jobs.

Procaci has the capacity to process 30,000 tonnes of cocoa beans, out of a total local processing capacity of 110,000 tonnes. Last year's Ivorian crop totalled a record 552,000 tonnes, of which 90,000 tonnes were processed within the country.

This year, another large crop of around 500,000 tonnes is expected, and Procaci is expected to reach its full capacity, more than double the level at which it was operating under its previous management.

Malaysia and Indonesia share surplus worries

BY WONG SULONG IN KUALA LUMPUR

MALAYSIA AND Indonesia are moving towards closers co-operation in commodities following the realisation that the current surplus of commodities in the world market is the result of long term structural changes, rather than cyclical patterns.

While there is no plan for production cutbacks in the near future the two nations have agreed that their future expansion should be geared towards maintaining equilibrium between supply and demand.

Datuk Paul Leong, the Malaysian Primary Industries Minister, who had extensive discussions on the commodity situation with Indonesian economic ministers in Jakarta last week, found there was deep concern among the Indonesians over "the surplus syndrome" following the sharp fall in commodity prices in recent months.

Malaysian officials said the Indonesians did not display such a mood when Datuk Leong met them last September.

Because of the sharp drop in commodity prices both Indonesia and Malaysia face the prospect of zero or even negative economic growth this year, and the two governments have to fight general elections before the middle of next year.

Malaysia is planning an international conference on commodities in Kupala Lumpur in July to galvanise producer co-operation. Indonesia has agreed to atttend as well as to lobby for support.

Malaysia has also assured Indonesia that it is prepared to co-operate with the Organisation of Petroleum exporting Countries (Opec) in cutting output to stabilise prices, if Opec members do the same.

The future of the International tin and rubber agreements was also discussed by Datuk Leong and the Indonesians.

The idea that the International Tin Council might be converted into a research and data collection agency, similar to the International Rubber Study Group was floated.

Both countries agreed that Ministers in charge of rubber in member countries of the Association of South-East Asian Nations should meet before the next renegotiation of the International Natural Rubber Agreement in October to consider ways to promote a new rubber pact.

Institute urges Tokyo oil futures market

TOKYO SHOULD move to counter New York and London's influence on world oil prices by opening its own fully fledged crude oil futures market, said officials at Japan's Institute of Energy Economics, a private think-tank which advises the Government, reports Reuter from Tokyo.

Japanese Government and industry officials are rapidly having to rethink old attitudes towards oil trading, in an effort to gain at least some control over the prices industry has to pay for the 4m barrels it imports daily.

Japan, the world's largest oil importer, taking over 10 per cent of world non-communist output, has allowed the markets in London and New York to dictate the price it must pay for crude for too long, industry and government officials said.

Futures market trading in London and New York is powerful enough to send shock waves through the physical market, causing Tokyo's prices to plummet or soar upsetting the country's policy makers and refiners.

Gold prospects healthy but 'unexciting'

BY KENNETH MARSTON, MINING EDITOR

THERE IS little prospect of any sustained change in the price of gold this year, according to Gold 1986, the 20th issue of the Consolidated Gold Fields group's annual review of the world gold industry.

With supply and demand well balanced the price "is more likely to remain unexciting unless a resurgence of inflation stimulates renewed investor interest," it says.

The world gold mining industry is in a healthy state, however, with operating costs in general comfortably below the current price level of around $342 a troy ounce.

This is especially true of mines outside the US in countries with relatively weak currencies — such as South Africa, Australia and Canada—where domestic revenue is boosted from gold sales which are based on US prices.

Gold thus remains the world's number one exploration target, but many mine operators would regard a rise in the dollar price of bullion — which might not be sustained — as a mixed blessing in that it would tend to inflate labour and other costs and make the acquisition of new gold mining properties more expensive.

In particular, the Australian gold miners fear that that it would hasten the demise of their present tax-free status and increase the likely tax charges.

As things are, Mr George Milling-Stanley and Mr Timothy Green, the report's authors, estimate that the rising production of the metal in Canada, the US and Australia — where new mine operating costs are under $200 per oz — could reach 300 tonnes within two or three years compared with under 100 tonnes in 1980. This compares with last year's total non-Communist bloc mine output of 1,212.8 tonnes.

South Africa remains far and away the world's biggest producer of gold although last year output fell by 10 tonnes to 673.3 tonnes and this, coupled with rising production elsewhere—notably in Australia (57 tonnes) and Papua New Guinea (33.2 tonnes)—reduced the Republic's proportion of the non-communist world total to 55 per cent.

However, Gold 1986 argues that with new South African operators due to come on stream the country "will be producing something like 700 tonnes of gold a year until the next century."

Labour and political unrest could, of course, distort this picture but it is noted that the country's gold mines have guarded against any temporary disruption of underground operations by creating surface stockpiles of ore equal to about three months' production.

In all, the view is that under the present price-cost structure non-communist world mine production of gold is likely to continue to rise for some years yet; previously it was thought likely to level out after two or three years.

The level of Soviet bloc output remains unknown, although it is thought to be in the region of 300 tonnes to 350 tonnes a year. Soviet gold sales to the West last year were a little higher at 210 tonnes, but they are expected to be "considerably higher" in 1986, possibly because of the Chernobyl uranium disaster which could mean an increased need for foreign exchange arising from lower exports of oil and increased imports of grain.

The supply of new gold to the Western world fell last year for the first time since 1980—by 151 tonnes to 1,288 tonnes— despite the increases in mine production and Soviet sales. The reason for this was the replacement for the first time in three years of central bank sales with purchases which absorbed a net 135 tonnes.

On the demand side, offtake for manufacture into jewellery and other products was a little higher at 1,233 tonnes. It was significant, however, that jewellery demand showed price sensitivity; it amounted to just under 900 tonnes and was largely concentrated in the earlier months of the year when gold prices were at their weakest.

The picture thus emerges of a market presently able to live comfortably in the virtual absence of the so-called investment demand from buyers anxious to protect their funds from inflation and other worries for paper currencies.

What remains to be seen is how well gold prices can be maintained at current levels in the light of a continued rise in mine production. Present thinking that the apparent floor price of about $330 should remain intact, while any return of investment demand prompted by economic worries would provide an immediate upwards response in prices.

Gold 1986, available free of charge from Consolidated Gold Fields, 31 Charles Street, St. James's Square, London, SW1Y 4AG.

GOLD MINE PRODUCTION
(Non-Communist world)
(tonnes)

	1979	1980	1981	1982	1983	1984	1985
South Africa	705.4	675.1	657.6	664.3	679.7	683.3	673.3
Other Africa	28.3	33.2	39.8	45.6	46.9	51.1	51.7
Canada	51.1	50.6	52.0	64.7	73.5	83.4	86.0
US	29.8	30.2	42.9	45.0	60.9	68.5	79.0
Australia	18.6	17.0	18.4	27.0	30.6	39.1	57.0
Papua New Guinea	19.7	14.3	17.2	17.8	18.4	18.7	33.2
India	2.7	2.6	2.6	2.2	2.2	2.0	1.7
Latin America	65.3	88.7	99.9	104.7	141.7	142.5	162.7
Far East	27.4	29.9	32.8	39.8	42.0	43.5	50.6
Europe	10.0	11.8	11.9	12.4	14.1	15.0	15.1
Other	1.0	1.0	1.1	1.2	1.8	1.8	2.5
Total	959.3	954.4	976.2	1,024.7	1,111.8	1,148.9	1,212.8

Source: Consolidated Gold Fields

LONDON MARKETS

COCOA PRICES eased on the London futures market yesterday under pressure from hedging against sales from the current Ivory Coast crop. The firmness of sterling was also a factor as the September position fell £17.50 to £1,321.50 a tonne. Meanwhile coffee futures regained virtually all of Monday's heavy fall encouraged by increased roaster demand and higher New York prices. The July position, which lost £69 on Monday, ended the day £68.50 higher at £1,932.50 a tonne. On the London Metal Exchange sterling's advance helped to push cash higher grade copper down £14.75 to £934.50 a tonne. The aluminium market was also weak with the cash quotation closing at £793.50 a tonne, wiping out £15 of Monday's £18 rise.

INDICES

REUTERS

June 3	June 2	M'th ago	Year ago
1733.4	1769.1		1880.4

(Base: September 18 1931=100)

DOW JONES

Dow Jones	June 2	May 30	Month ago	Year ago
Spot	125.76	126.22		117.54
Fut.	114.53	115.16		120.26

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

ALUMINIUM

COPPER

LEAD

NICKEL

TIN

KUALA LUMPUR TIN MARKET: Close 13.99 (14.20) ringgit per kg. Down 0.21 ringgit per kg.

ZINC

GOLD

Gold fell just $¼ an ounce from Monday's close in the London bullion market yesterday to finish at $341¾-342. This was its lowest level of the day and also its opening level. It touched a high of $342½-343½. Trading was extremely quiet with no fresh factor to stimulate activity.

GOLD AND PLATINUM COINS

SILVER

Silver was fixed 9.85p an ounce lower for spot delivery in the London bullion market yesterday at 343.85p. US cent equivalents of the fixing levels were: spot 512.35c, down 8.15c; three-month 521.05c, down 8.45c; six-month 530.3c, down 8.2c; and 12-month 548c, down 8.2c. The metal opened at 347-348½p (514-516c) and closed at 342-343½p (511-513c).

MEAT

Spot June pigmeat finished higher due to short-covering before its expiry on Thursday but forward positions closed slightly lower due to profit-taking and fresh selling interest, reports Eastern Capital CCST.

COCOA

Futures opened a little steadier than anticipated and in light trade remained in a narrow range. No producer interest was apparent and consumers were content to remain out of the market at present levels, reports Gill and Duffus.

COFFEE

Underlying physical interest prompted trade and commission house buying which lifted prices by as much as £102. Sellers remained withdrawn for any quantity and any light profit-taking towards mid-afternoon pushed levels slightly lower, reports Drexel Burnham Lambert.

SOYABEAN MEAL

Prices remained steady, despite stronger sterling, on professional buying against mixed commercial selling, reports Muirpace.

GRAINS

Old crops eased on easier fob markets in very poor trade. New crops steadied on forward shipment positions before retreating on shipper/merchant selling, reports T. G. Roddick.

POTATOES

The market continued to slip, trading £1.50 down, basis April, during morning trade, before meeting buying support at or near 117.00, reports Coley and Harper.

RUBBER

PHYSICALS—The London market opened sharply lower, attracted very little interest and closed uncertain, reports Lewis and Peat. Closing prices (buyers): Spot 56.00p (58.25p); July 58.00p (57.25p); Aug 56.50p (57.50p). The Kuala Lumpur fob price (Malaysian cents per kg): RSS No 1 was 203.0 (204.0) and SMR 20 194.5 (195.75).

US MARKETS

COCOA FUTURES lost earlier gains and dropped on speculative and stop-loss selling through major support levels to new lows on nearby contracts, reports Heinold Commodities. The market sell off was sparked by offers of the Ivory Coast crop. Mr Rene Montes, the president of the ICCO reported that a new International Cocoa Agreement with economic provision will proceed in Geneva, starting July 7. Negotiations adjourned last March but at that time it was not clear whether consumers would agree to resume negotiating more than on a merely administrative pact. Coffee values soared at the outset in sympathy with London prices, along with mixed short-covering on fears that the market was oversold.

NEW YORK

CHICAGO

SUGAR

LONDON DAILY PRICE—Raw sugar $177.50 (£118.50), up $8.00 (up £3.00) a tonne for June-July delivery. White sugar $202.00, up $6.00.

OIL

In a thin market Dubai traded at $10.50 and Brent around $12.35, both for July. Nymex WTI opened 4c up for July and traded 1c down at 1.45 EDT. In the petroleum products market gasoline continued to weaken while gas oil firmed slightly in active speculative trade—Petroleum Argus, London.

FREIGHT FUTURES

In dull trading the dry cargo market fell on early scale liquidation before steadying towards the close. There was no fresh physical news. The tanker market remained quiet and nervous, still looking to sentiment in the oil futures market, reports Clarkson Wolff.

Jamaica banana shipment target

By Canute James in Kingston

JAMAICA's banana exports to Britain should reach 30,000 tonnes this year, following 12,700 tonnes last year, according to Dr Percival Broderick, the Agriculture Minister.

He said the industry was aiming to ship 150,000 tonnes per year by 1990, to meet the market it has in the UK.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Uncertainty depresses dollar

The dollar continued to lose ground yesterday in nervous trading. The US unit took heed of the many statements made by various officials this week, underlining its general lack of direction. Comments by US and Japanese officials hinted towards a further decline in the dollar's value after next month's Japanese elections. The switch to a slightly bearish trend prompted the unwinding of several long dollar positions which in turn triggered some stop loss selling.

In the absence of any significant economic data before Friday's US unemployment figures, the market was awaiting a speech by Mr James Baker, US Treasury Secretary, at the International Monetary conference in Boston and a press conference by Mr Paul Volcker, US Federal Reserve board chairman. Speaking ahead of this, Mr Volcker claimed that there had been no detailed discussion on stabilising exchange rates and this provided further downward pressure on the dollar.

The dollar closed at DM 2.2740 from DM 2.3230 and Y171.55 compared with Y174.90. It was also lower against the Swiss franc at SFr 1.8790 from SFr 1.9280 and FFr 7.24 from FFr 7.40. On Bank of England figures, the dollar's exchange rate index fell to 117.3 from 119.1.

£ IN NEW YORK

June 3	Latest	Prev. close
£ Spot	$1.4920-1.4930	$1.4755-1.4765
1 month	0.38-0.35pm	0.40-0.39pm
3 months	1.02-0.98pm	0.99-0.97pm
12 months	2.90-2.78pm	2.92-2.84pm

Forward premiums and discounts apply to the US dollar

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3770. May average 1.5262. Exchange rate index 76.1 against 76.1 at the opening and 76.3 on Monday. The six-month-ago figure was 81.4.

Sterling was very little changed overall, content to remain on the sidelines and move broadly in line with the dollar. It was lower against the D-mark at DM 3.3950 from DM 3.4250 and Y256.25 compared with Y257.75. Against the Swiss franc it eased to SFr 2.8050 from SFr 2.8425 and FFr 10.8125 from FFr 10.9075. Against the dollar it rose to $1.4935 from $1.4740.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.1640. May average 2.2295. Exchange rate index 134.2 against 129.5 six months ago.

The D-mark finished sharply firmer as the dollar was sold amid speculation of another sharp decline. This was sparked off by various official comments which were united in seeing a lower dollar as a prerequisite to eliminating the US trade deficit. The dollar closed at DM 2.2760 down from DM 2.3170 on Monday. Earlier in the day it had been fixed at DM 2.2885 compared with DM 2.3296 previously. Previously held long positions were unwound as dealers saw an end to the dollar's recent bullish trend.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 161.65. May average 167.01. Exchange rate index 202.1 against 176.4 six months ago.

The yen rose sharply against the dollar in Tokyo yesterday after comments by various officials sparked off unwinding of dollar positions. There was still a feeling that in order to redress the trade imbalance between the two nations the yen would have to appreciate further. This prompted the dollar to ease to a low of Y171.90 at one point before closing at Y172.15, down from Y174.70 at the opening and Y176.30 in Tokyo on Monday. There were no immediate signs of any intervention by the Bank of Japan although there is probably a desire for stability ahead of next month's general election.

POUND SPOT—FORWARD AGAINST POUND

June 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4785-1.4885	1.4930-1.4940	0.39-0.36c pm	3.01	0.95-0.91 pm	2.48
Canada	2.0639-2.0812	2.0780-2.0790	0.28-0.18c pm	1.33	0.44-0.30 pm	0.71
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 65.75-65.85. Six-month forward dollar 1.67-1.62c pm. 12-month 2.62-2.52c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

June 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4785-1.4885	1.4930-1.4940	0.39-0.36c pm	3.01	0.95-0.91 pm	2.48
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 48.70-48.80.

CURRENCY MOVEMENTS

June 3	Bank of England Index	Morgan Guaranty Change%
Sterling	76.1	-15.2
U.S. dollar	117.3	[illegible]
Canadian dollar	[illegible]	[illegible]
Austrian schilling	[illegible]	[illegible]
Belgian franc	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]
Deutsche mark	[illegible]	[illegible]
Swiss franc	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 3	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	[illegible]	[illegible]	[illegible]
U.S. $	[illegible]	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austria Sch	[illegible]	[illegible]	[illegible]
Belgian Fr	[illegible]	[illegible]	[illegible]
Danish Kr	[illegible]	[illegible]	[illegible]
D mark	[illegible]	[illegible]	[illegible]
Guilder	[illegible]	[illegible]	[illegible]
French Fr	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]
Norway Kr	[illegible]	[illegible]	[illegible]
Spanish Pta	[illegible]	[illegible]	[illegible]
Swedish Kr	[illegible]	[illegible]	[illegible]
Swiss Fr	[illegible]	[illegible]	[illegible]
Greek Dr'ch	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]

*CS/SDR rate for June 2: [illegible]

EXCHANGE CROSS RATES

Jun. 3	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.494	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	0.670	1.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000; French Fr per 10; Lira per 1,000; Belg Fr per 100.

OTHER CURRENCIES

June 3	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
N. Zealand	[illegible]	[illegible]
Saudi Ar.	[illegible]	[illegible]
Singapore	[illegible]	[illegible]
S. Af. (Cm)	[illegible]	[illegible]
S. Af. (Fn)	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

* Selling rate.

EURO-CURRENCY INTEREST RATES

June 3	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $ (Sing)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: two years 7⅝-8⅛ per cent; three years 8⅛-8⅜ per cent; four years 8⅜-8⅝ per cent; five years 8⅝-8⅞ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others two days' notice.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German D-mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Firmer trend

Three-month sterling deposit futures were higher in the London International Financial Futures Exchange yesterday. The September contract opened at 90.83 up from 90.81 on Monday and moved lower initially to 90.78 before improving to the day's high of 90.93. It closed at 90.90. The firmer trend reflected sterling's better performance against the dollar and a continued easing in cash rates on growing expectations of an early cut in clearing bank base rates.

The long gilt contract for September delivery opened at 122-24 down from 122-06 on Monday and rose initially in line with a firmer US bond market to a high of 123-21.

However, profit-taking soon developed at this level and as US bonds fell back so the September price retreated to close at 123.09.

US Treasury bonds started at the low of the day for September delivery at 90-30. Good demand developed during the morning, however, lifting values to 91-18 and a consequent high of 92-00. However, the entry of Chicago started a period of volatile and erratic trading and the September price came back to close at 91-09 down from 92-12. The market will now be looking to Friday's unemployment figures for some guidance.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
116	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
118	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
120	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
122	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
124	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
126	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
128	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
130	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total: Calls 932, Puts 229
Previous day's open interest: Calls 6,863, Puts 2,161

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
102	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total: Calls 86, Puts 213
Previous day's open interest: Calls 889, Puts 429

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike price	Calls—Last June	July	Aug	Sept	Puts—Last June	July	Aug	Sept
1.30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.35	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.55	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total: Calls 987, Puts 229
Previous day's open interest: Calls 3,665, Puts 6,754

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last June	July	Aug	Sept	Puts—Last June	July	Aug	Sept
1.30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.35	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.55	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Previous day's open interest: Calls 5,148, Puts 4,362
Volume: 78

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last June	July	Aug	Sept	Puts—Last June	July	Aug	Sept
1.30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.35	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.55	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Previous day's open interest: Calls 40,786, Puts 43,880
Previous day's volume: Calls 211, Puts 708

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike price	Calls—Last June	Sept	Dec	Mar	Puts—Last June	Sept	Dec	Mar
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Previous day's open interest: Calls 4,212, Puts 3,162
Volume: —

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

US TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

STERLING INDEX

	June 3	Previous
8.30 am	76.1	76.1
9.00 am	76.1	76.2
10.00 am	76.2	76.2
11.00 am	76.1	76.2
Noon	76.1	76.3
1.00 pm	76.2	76.3
2.00 pm	76.3	76.2
3.00 pm	76.1	76.4
4.00 pm	76.1	76.3

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

Est. volume 7,243 (4,381)
Previous day's open int. 13,847 (14,282)
Basis quote (clean cash price of 13% Treasury 2000-03 less equivalent price of near futures contract) —4 to 4 (32nds).

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

Est. volume 474 (276)
Previous day's open int. 1,642 (1,409)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	90.90	90.93	90.78	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

Est. volume 2,962 (7,357)
Previous day's open int. 17,476 (17,260)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

Est. volume 377 (414)
Previous day's open int. 2,272 (2,309)

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

Est. volume 6,443 (2,602)
Previous day's open int. 21,360 (21,789)

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	91-09	92-00	90-30	92-12
Dec	[illegible]	[illegible]	[illegible]	[illegible]

Est. volume 8,152 (7,332)
Previous day's open int. 6,405 (7,638)

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

IMM—STERLING Se per £

	Latest	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

Est. volume 311 (244)
Previous day's open int. 1,129 (1,052)

MONEY MARKETS

Further hopes of base rate cut

The London money market remained quietly optimistic over the possibility of an early cut in base rates yesterday. Some traders suggested that next week's money supply figures could provide sufficient impetus to push rates into single figures, while others remained alive to the possibility of a cut before then. Three-month interbank money was slightly easier at 9¾-9⅝ per cent against 9⅞-9¾ per cent. Overnight interbank money ranged between 10½ per cent and 3 per cent.

The Bank of England forecast a shortage of around £400m, with factors affecting the market including maturing assistance and a take-up of Treasury bills together draining £540m and banks balances brought forward £30m below target. These were partly offset by Exchequer transactions which added £120m and a fall in the note circulation of £50m. The forecast was revised to a shortage of around £450m and the Bank gave assistance in the morning of £62m. This comprised outright purchases of £17m of eligible bank bills in band 1 at 9⅞ per cent and £45m in band 2 at 9⅞ per cent.

The forecast was revised back to £400m before taking into account the early help and the Bank gave additional assistance in the afternoon of £153m. This comprised outright purchases of £31m of eligible bank bills in band 1 at 9⅞ per cent and £10m in band 2 at 9⅞ per cent and £112m in band 3 at 9⅞ per cent. Late help came to £75m, making a total of £290m.

In Frankfurt the Bundesbank accepted bids of DM 9bn at yesterday's 28-day sale and repurchase tender and DM 6bn for the 63-day facility. Successful applicants receive funds today with the total more than compensating for a maturing agreement worth DM 11.9bn. This is designed to meet a drain on funds due to tax payments and also to offset any possible drain on funds should the Bundesbank be required to support the D-mark within the EMS. At the moment it is trading at its floor level against the French franc.

UK clearing bank base lending rate 10 per cent since May 22

NEW YORK RATES

(Lunchtime)

Prime rate	[illegible]
Broker loan rate	[illegible]
Fed funds	[illegible]
Fed funds at intervention	[illegible]

Treasury Bills & Bonds

One month	[illegible]
Two month	[illegible]
Three month	[illegible]
Six month	[illegible]
One year	[illegible]
Two year	[illegible]
Three year	[illegible]
Four year	[illegible]
Five year	[illegible]
Seven year	[illegible]
10 year	[illegible]
30 year	[illegible]

MONEY RATES

June 3	Over-night	One Month	Two Months	Three Months	Six Months	Lombard Int'vtn
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. June 3)

Three months US dollars		Six months US dollars	
bid 7⅛	offer 7¼	bid 7⅛	offer 7¼

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

June 3	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Depos	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Depos	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Depos	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 9⅝ per cent; three months 9⅝ per cent. Bank Bills (sell): one-month 9⅝ per cent; three months 9⅝ per cent. Treasury Bills: Average tender rate of discount 9.4860 per cent. ECGD Fixed Finance Scheme IV reference date May 7 to June 3 (inclusive) 10.176 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rates 10½ per cent from June 1, 1986. Bank Deposit Rate for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposits £100,000 and over held under one month 10 per cent; one-three months 9⅝ per cent; three-six months 9⅝ per cent; six-nine months 9⅝ per cent; nine-12 months 9⅝ per cent. Under £100,000 9⅝ per cent from May 30. Deposits held under Series 5 9⅝ per cent. Deposits withdrawn for cash 8⅝ per cent.

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99⅞	98⅛	Treas 8¼pc 1984-86‡‡	99⅞xd		8.51	9.91
102[illegible]	100[illegible]	Exch 14pc 1986	101[illegible]		13.77	9.47
98[illegible]	94[illegible]	Exch 2½pc 1986	95[illegible]		2.53	5.78
102[illegible]	100¼	Exch 13¼pc 1987	102[illegible]	+[illegible]	12.96	9.48
100⅞	97[illegible]	Treas 10½pcCv '87	100[illegible]	+[illegible]	10.19	9.26
97[illegible]	92[illegible]	Exch 2½pc 1987	97[illegible]	+⅛	2.57	6.32
101⅛	97[illegible]	Exch. 10½pc 1987	101[illegible]	+[illegible]	10.40	9.13
98[illegible]	93[illegible]	Funding 6½pc '85-87‡‡	98[illegible]		6.60	8.37
101[illegible]	96[illegible]	Treas. 10pc 1987	100[illegible]xd	+[illegible]	9.91	9.03
96[illegible]	90[illegible]	Treas 3pc 1987	96[illegible]		3.10	6.19
104[illegible]	99[illegible]	Treas. 12pc 1987	103⅞	.....	11.57	9.06
99[illegible]	92[illegible]	Treas 7¾pc 1985-88‡‡	99[illegible]	.....	7.83	8.35
104	96[illegible]	Exch 10½pc '88	102[illegible]	.....	10.20	8.80
102[illegible]	95[illegible]	Treas 9¾pc Cv '88	101[illegible]xd		9.59	8.86
94[illegible]	86[illegible]	Transport 3pc '78-88	94[illegible]xd		3.18	5.99
102[illegible]	93[illegible]	Treas. 9½pc '88	101[illegible]		9.39	8.94
107[illegible]	98[illegible]	Treas. 11½pc 1989	106[illegible]		10.83	8.87
103[illegible]	93[illegible]	Treas 9½pc Cnv. '89	101[illegible]	–⅛	9.35	8.81
92[illegible]	82[illegible]	Treas 3pc 1989	91⅞		3.26	6.05
105[illegible]	95[illegible]	Treas 10½pc 1989	104[illegible]xd	+⅛	10.07	8.83
104[illegible]	94[illegible]	Exch. 10pc 1989	102[illegible]	+[illegible]	9.71	8.91
107[illegible]	97	Exch 11pc 1989	105[illegible]	.....	10.38	8.86
93[illegible]	84[illegible]	Treas 5pc 1986-89	93[illegible]	–[illegible]	5.36	7.29
110[illegible]	94[illegible]	Exch 10½pcCv '89	107[illegible]	–[illegible]	9.50	7.59
114[illegible]	103[illegible]	Treas 13pc 1990‡‡	112[illegible]	–[illegible]	11.54	8.83
109[illegible]	97[illegible]	Exch 11pc 1990‡‡	106[illegible]		10.31	8.82
113[illegible]	101[illegible]	Exch. 12½pc 1990	111[illegible]	–[illegible]	11.20	8.82
89[illegible]	79[illegible]	Treas. 3pc 1990	89[illegible]	–[illegible]	3.35	6.00
100[illegible]	87[illegible]	Treas 8¼pc 1987-90‡‡	99[illegible]xd	–⅛	8.30	8.44
106[illegible]	93	Treas. 10pcCv 1990	104[illegible]		9.56	8.71
86[illegible]	76[illegible]	Exch 2½pc 1990	86	–[illegible]	2.91	6.12
112[illegible]	99[illegible]	Treas 11¾pc 1991	110⅞		10.60	8.83
94[illegible]	83[illegible]	Funding 5¾pc '87-91‡‡	94[illegible]	+[illegible]	6.10	7.18
86[illegible]	86	Treas. 3pc 1991●	86[illegible]		3.49	6.33

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
145	82	♦Midland Marts	140	–3	4.0	2.1	4.0	16.7
78½	61	Mitchell Cotts	71	–1	4.25	1.5	8.4	(10.0)
109	81	♦Monks & Crane 10p	106	......	t2.7	♦	3.6	♦
312	210	Morgan Crucible	312	+2	8.5	♦	3.8	♦
23½	15½	♦Morris (W) F.A. 20p	18	......	—	—	—	—
139	96	Moss (Robt.) 10p	129xd	–2	♦[illegible]	2.7	3.6	13.9
110	65	Myson Grp 10p	109	+2	2.63	2.6	3.4	14.1
365	259	♦NMW Computers	305	–10	6.0	3.0	1.0	17.5
40	27	Nash Inds.	32	......	0.5	—	2.2	—
28	16	Neil & Spencer 10p	24	......	♦b	—	—	—
38	28	Newman Inds 10p	35	......	0.8	1.2	3.3	(34.1)
65	47	Nolton	50xd	+1	10.95	7.0	2.7	7.1
132	96	♦Norank Systems 5p	118	......	t3.0	♦	3.6	♦
263	187	Norcros	260	–2	9.3	♦	5.2	♦
110	49	Nu-Swift 5p	110	+7	3.5	2.1	4.5	14.8
118	80	Oakwood Grp	100	......	5.0	1.3	7.0	13.9
250	203	Office & Elect	235xd	......	8.5	2.9	5.1	9.6
102	70	Oldacre 20p	85	......	†4.0	2.6	6.6	7.5
36	29	♦Optometrics $0.01	26	......	[illegible]	2.1	6.0	8.7
765	500	Oriflame £1	760	......	24.5	2.1	4.5	14.8
10	8	Ovenstone 12½c	8	......	[illegible]	1.9	12.0	4.4
£303	£220	Ozalid 9pc Cnv 87-92	£303	+41	Q9%	—	(3.0)	—
135	85	♦PCT Grp 10p	135	+5	3.2	1.2	4.9	(33.2)
£204½	950	PLM 'B' Sk 25	£145½	+½	Q23.2%	0.3	4.5	—
184	114	PSM Intl	184xd	+2	d6.5	2.1	4.2	14.0
255	167	♦Pacer Systems $0.01	200	......	[illegible]	3.4	1.3	22.3
78	56	♦Pacific Sales 10p	64	......	3.0	1.2	6.6	17.5

LONDON STOCK EXCHANGE

MARKET REPORT

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
May 12	May 29	May 30	June 9
June 2	June 12	June 13	June 23
June 16	June 26	June 27	July 7

* " New-time " dealings may take place from 9.30 am two business days earlier.

Base rate hopes lead to brighter session in leading stocks

A brighter tone in London equities yesterday owed much to hopes of lower interest rates. Money market levels were scarcely altered but traders continued to express muted optimism about an early further small cut in clearing bank base rates. Most expected a reduction later next week after announcement of Tuesday's banking statistics.

Equity turnover was again moderate but occasional institutional inquiries found many leading shares responsive in the continued absence of any selling pressure. Speculative activity tended to pick up following news of two fresh bids and brokers reported a fair volume of business from private clients.

Persistent speculation of a big deal or merger being in the offing made for lively trading in selected Food issues but Monday's leading contender, **Dee Corporation**, weakened late on talk that the group was about to purchase the Fine Fare chain from Associated British Foods. Newsagent shares were given a fillip by the surprise Gallaher bid for NSS Newsagents.

Corporate profits statements—the interim results of **Hanson Trust** were considered satisfactory — underpinned the overall firmer tone. Despite Wall Street's recent easier trend, which continued at the opening yesterday, the FT Ordinary share index closed 4.0 higher at 1,320.4, while its sister index, the FT-SE 100 share, ended 5.7 up at 1,602.2, after 1,607.3.

The possibility of cheaper money encouraged a turnround in Government securities. Longer-dated Gilts opened ½ or so lower in line with the current demoralised state of the US bond market but recovered, helped also by the exchange rate; sterling moved higher against the dollar but lost ground on most European currencies. Sellers soon backed away and ultra-long issues improved progressively, some to close with small gains on the day.

Gilts with a 10- to 12-year life were less fortunate and settled ¼ down in places, while final movements among the shorts were narrowly mixed. Renewed hedge buying against equity commitments again lifted index-linked Gilts which ended with fresh rises extending to ⅜.

Composites retreat

Reports of possible premium cuts in the state of Florida unsettled Composites which fell away sharply in initial dealings. Although closing levels were often well above the lowest levels of the day, **Royals** still sustained a fall of 22 at 854p. **General Accident** lost 10 at 802p, after 797p, while **GRE** relinquished 7 at 833p, after 825p. **Sun Alliance** dropped to 820p before closing only 5 easier at 833p and **Commercial Union** ended 4 off at 302p, after 298p. **Lloyds Brokers** gave ground on currency influences. **Willis Faber** receded 6 at 417p and **PWS International** softened 5 at 260p. Elsewhere, **Abbey Life** softened a penny more at 190p to stand at a new low for the year and the level at which ITT surprisingly placed its 51.8 per cent stake with various institutions last week.

The volume of business in the banking sector left much to be desired. **Guinness Peat** saw a flurry of speculative activity and touched 88p before closing 3 better on balance at 86p.

Motor distributors **Evans Halshaw** made a quiet market debut and settled at 114p, a 6p discount to the offer price of 120p. **Eadie Holdings**, a specialist engineering concern, also traded at a discount, closing at 38p compared with the placing price of 39p.

Blue Circle came on offer following the annual meeting at which the chairman stated that a proposed 4 per cent cement price increase due to take effect from July would not now be implemented; **BCI** dipped to 658p prior to closing 15 lower on balance at 660p. **Rugby Portland Cement** were marked down to 169p in sympathy, but later recovered to close unchanged at 171p. Elsewhere in the Building sector, **Tarmac** shed 8 to 458p on reports that a line of stock was overhanging the market, but **Barratt Developments** edged up 2 to 146p on revived takeover hopes; Tarmac and Costain have been mentioned as possible bidders. **Heywood Williams** firmed 5 to 225p following US acquisition news, while **Sharpe and Fisher**, still responding to Press comment, added 3 more to 116p. Takeover favourite **Manders** gained 5 to 275p and **Hewden-Stuart** hardened 2 to 72p.

Leigh Interests firmed 3 to 118p in reply to the good annual results and £5.9m rights issue proposal. **British Benzol** continued to attract a lively two-way business ahead of the annual results expected shortly and touched 95p prior to closing unchanged at 92p.

NSS up on bid

NSS Newsagents, the subject of persistent speculative interest recently following D. C. Thomson's acquisition of a near-16 per cent stake in the company, spurted 28 to 210p, after 214p, following the surprise and agreed cash bid from Gallaher. The development stimulated revived demand for **John Menzies**, 15 higher at 310p, and **Alfred Preedy**, 4 to the good at 110p. **W. H. Smith A** hardened a few pence to 274p. Other long-standing bid favourites to come to life included **Martin Ford**, 75p, **Goldsmiths**, 226p, and **Albert Martin**, 95p, all up 6. **N. Brown** rose 20 to 605p in response to the better-than-expected preliminary figures, while the interim profits expansion lifted **Body Shop** 30 to 630p.

Rotaflex provided an outstanding firm feature in Electricals, jumping 33 to 385p on hopes of an increased offer from Emess Lighting. **Air Call** advanced 17 to 242p following news fo the group's launch of a subscription teletext and data service on the ITV transmitters. **Bowthorpe** gained 7 to 535p following the annual meeting, while improvements of around 8 were seen in **Burgess Products**, 214p, **International Signal and Control**, 280p, and **Oxford Instruments**, 515p. Further consideration of the group's venture into the white goods market helped **Amstrad** breach £6, touching 604p before closing 10 up on balance at 602p. **Process Systems**, on the other hand, continued to reflect the recent profits warning with a fresh decline of 10 to a new low of 40p.

Speculation that **Evered** was on the verge of selling its 20.1 per cent stake in **TI** prompted contrasting movements in both shares; the former moved up 8 to 298p, while the latter closed 17 down at 530p. Elsewhere in Engineerings, **APV** advanced 18 to 618p on hopes of an increased bid from Siebe, a further 20 dearer at 990p. **William Cook (Sheffield)** continued to respond to the excellent results with a fresh gain of 9 at 135p and **G. M. Firth** added 5 at 89p following revived speculative demand.

Firm initially at 268p, **Dee Corporation** fell away in the late dealings to close a net 10 down at 252p as rumours relating to the imminent acquisition of the Fine Fare supermarket chain from Associated British Foods gathered momentum; **AB Foods** firmed 4 more to 346p. Elsewhere in the Food sector, **Tate and Lyle** continued to attract buyers and rose 15 more to 585p on hopes that the company would eventually win control of S. & W. Berisford. **Ranks Hovis McDougall** were firm on Berisford stake sale speculation and closed 5 higher at 217p. **Hazlewood** rose 20 to 845p ahead of results due soon, while **Bernard Matthews** were good at 210p, up 18.

Leading Hotels made useful progress before easing back in the late dealings. **Grand Metropolitan** were finally 2 dearer at 387p, after 393p, while **Trusthouse Forte** ended 3 higher at 154p, after 156p. **Ladbroke** firmed 6 to 352p on vague takeover rumours.

Pearson revive

Pearson returned to prominence among miscellaneous industrials, rising 19 to 472p on revived takeover speculation. **Booker McConnell** rose 19 to 343p in the wake of the annual meeting, while speculative demand lifted **Scott and Robertson** 28 to 170p. **Pentland Industries** rose 20 more making a two-day rise of 65 at 745p following comment on the growth prospects of its US subsidiary, Reebok. Bid hopes left **Longton Industrial** up 10 more at 210p, while improvements of around 7 were seen in **Blue Arrow**, 377p, **Dominion International**, 215p, **Nu-Swift Industries**, 110p, and **Star Computer**, 60p. **Redfearn National Glass** attracted renewed support at 243p, up 10, while **Plastic Construction** put on 5 at 81p. **De La Rue's** annual results were deemed satisfactory and the close was ⅜ better at £10¼, but **Broken Hill Proprietary** lost 8 at 404p awaiting further bid developments.

Among Leisure issues, revived takeover hopes stimulated fresh demand for **First Leisure**, 17 up at 348p, and **Barr and Wallace Arnold Trust A**, 10 better at 130p. Buyers also returned for **WSL**, another 3 to the good at 190p, but **Juliana's**, in contrast, fell 9 to 36p on persistent small offerings. **Samuelson** closed 5 up at 280p; the price in recent issues was incorrect.

Motors were again subdued. **Airflow Streamlines**, however, were supported in the wake of the annual figures and put on 8 more to 52p. Among Distributors, revived speculative interest was noted for **BSG**, finally 3½ up at 44½p.

Special situations prompted a number of firm spots among Paper/Printings. **McCorquodale**, the specialist printer, rose 6 to 196p, after 198p, in response to the increased interim profits and dividend, but the annual profits setback left **Chapman Industries** a few pence cheaper at 213p. **Osborne and Little**, the USM-quoted wallcovering designers, were marked 12 higher to 210p; the preliminary results are due to be announced next Tuesday. Dealings in **David S. Smith**, suspended at 203p, were resumed following the acquisition of St Regis; opening at 230p the shares quickly advanced to 238p before settling at 233p. Further consideration of the excellent mid-term results lifted **Hunterprint** 18 more to 248p.

Advertising agencies recovered most of Monday's falls. **Wight Collins Rutherford Scott** were lively and improved 10 to 465p amid talk of an imminent acquisition.

Takeover developments enlivened proceedings in the Property sector. Dealings in **Samuel Properties** and **Clayform**, which were suspended on Monday at 253p and 263p respectively, resumed following details of Clayform's agreed share-exchange offer worth some £86m for Samuel. Samuel closed 17 higher at 270p and Clayform 20 up at 280p. Elsewhere, **Mountleigh** rose 20 to 845p on news of the acquisition of a portfolio of properties worth £57.8m which is to be partly financed by a share placing. Buyers again favoured **Mountview Estates**, which advanced 30 to 640p, while **York Mount** put on 10 to 75p on country demand.

Oils move ahead

Reports that Opec is aiming to stabilise oil prices in the region of $17 to $19 a barrel prompted support for the leading oils. **Shell** added 8 at 798p and **Royal Dutch** £1½ at £51¾, while **BP** put on 5 to 580p and **Britoil** 7 to 180p. **Ultramar** edged up 2 to 177p, but adverse Press comment depressed **Tricentrol** which retreated 5 to 55p.

Secondary oils continued to attract a good two-way business. **Charterhall** touched 32p during initial dealings reflecting comment on the deal with Australia's Westmex, but subsequent profit-taking left the shares a shade easier on balance a 28p.

A flurry of bear closing helped South African Golds extend Monday's marginal gains, although the overall trend remained highly sensitive to currency fluctuations and political uncertainty in the Republic.

Dollar quotations for Golds registered good gains, but sterling prices were restrained by the pound's strength against the US currency. South African operators were keen buyers of Golds during early trading and share prices responded accordingly. However, later in the session London and US selling took prices back to around their opening levels. Consequently the Gold Mines index was left with only a marginal improvement on the day and showed a 0.4 rise at 215.9.

UK issues showed **Hampton Areas** 3 higher at a year's best of 145p following news that Mr Ron Brierley's IEP Securities has built up a 5 per cent holding in the company which is currently the subject of a 130p a share cash bid from the Alan Bond-controlled **Metals Exploration**; the later rose 3 to 21p. **Geevor Tin**, on the other hand, slumped to 20p before rallying to close a net 13 down at 25p.

Traded Options

An otherwise lacklustre session in Traded Options was again highlighted by **Hanson Trust**; operators displayed revived enthusiasm both before and after the satisfactory interim statement and 3,545 calls were transacted, the June 165's and 180's contributing 826 and 814 trades respectively. Total contracts transacted amounted to 12,291.

FINANCIAL TIMES STOCK INDICES

	June 3	June 2	May 30	May 29	May 28	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	91.73	91.73	91.60	92.24	92.47	82.08	94.51 (16/4/86)	80.39 (20/1/86)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.94	96.92	96.89	97.15	97.33	86.38	97.51 [illegible]	86.55 (23/1/86)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1320.4	1316.4	1321.2	1326.8	1338.4	1020.2	1425.9 (3/4/86)	1094.3 (14/1/86)	1425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	215.9	215.5	215.1	222.2	222.9	450.2	357.0 (27/1/86)	213.1 (30/5/86)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.28	4.20	4.19	4.16	4.13	4.55				
Earnings Yld.%(full)	10.38	10.40	10.38	10.31	10.24	11.42				
P/E Ratio (net) (*)	11.79	11.76	11.79	11.86	11.95	10.69				
Total Bargains (Est.)	23,640	25,898	29,256	27,276	25,801	19,245				
Equity Turnover £m.	—	745.64	707.24	831.29	754.70	339.90				
Equity Bargains	—	23,747	28,054	26,201	23,055	19,045				
Shares Traded (ml).	—	359.5	335.4	445.4	348.1	184.9				

S.E. ACTIVITY

Indices	June 2	May 30
Gilt Edged Bargains	[illegible]	[illegible]
Equity Bargains	[illegible]	[illegible]
Equity Value	[illegible]	[illegible]
5-Day Average		
Gilt Edged Bargains	130.7	132.6
Equity Bargains	158.2	158.3
Equity Value	1395.5	1313.9

Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1317.9	1319.8	1323.5	1323.7	1324.6	1324.7	1324.0	1322.7

Day's High 1324.8. Day's Low 1317.8

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil—11.38.

LONDON REPORT AND LATEST SHARE INDEX. TEL. 01-246 8026

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tues June 3 1986

Figures in parentheses show number of stocks per section

Columns: Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (ACT at 29%) | Est. P/E Ratio (Net) | xd adj. 1986 to date | Mon June 2 Index No. | Fri May 30 Index No. | Wed May 28 Index No. | Year ago (approx.) Index No.

	Group	Figures
1	CAPITAL GOODS (214)	[illegible]
2	Building Materials (26)	[illegible]
3	Contracting, Construction (29)	[illegible]
4	Electricals (12)	[illegible]
5	Electronics (38)	[illegible]
6	Mechanical Engineering (64)	[illegible]
8	Metals and Metal Forming (7)	[illegible]
9	Motors (16)	[illegible]
10	Other Industrial Materials (22)	[illegible]
21	CONSUMER GROUP (183)	[illegible]
22	Brewers and Distillers (22)	[illegible]
25	Food Manufacturing (22)	[illegible]
26	Food Retailing (15)	[illegible]
27	Health and Household Products (10)	[illegible]
29	Leisure (25)	[illegible]
31	Publishing & Printing (14)	[illegible]
32	Packaging and Paper (14)	[illegible]
34	Stores (42)	[illegible]
35	Textiles (17)	[illegible]
36	Tobaccos (2)	[illegible]
41	OTHER GROUPS (86)	[illegible]
42	Chemicals (19)	[illegible]
44	Office Equipment (4)	[illegible]
45	Shipping and Transport (12)	[illegible]
47	Telephone Networks (2)	[illegible]
48	Miscellaneous (49)	[illegible]
49	INDUSTRIAL GROUP (483)	[illegible]
51	Oil & Gas (17)	[illegible]
59	500 SHARE INDEX (500)	[illegible]
61	FINANCIAL GROUP (116)	[illegible]
62	Banks (7)	[illegible]
65	Insurance (Life) (9)	[illegible]
66	Insurance (Composite) (7)	[illegible]
67	Insurance (Brokers) (8)	[illegible]
68	Merchant Banks (11)	[illegible]
69	Property (51)	[illegible]
70	Other Financial (23)	[illegible]
71	Investment Trusts (103)	[illegible]
81	Mining Finance (3)	[illegible]
91	Overseas Traders (14)	[illegible]
99	ALL-SHARE INDEX (736)	[illegible]

	Index No.	Day's Change	Day's High	Day's Low	June 2	May 30	May 29	May 28	May 27	Year ago
FT-SE 100 SHARE INDEX ♦	1602.2	+5.7	1607.3	1599.2	1596.5	1602.2	1609.8	1624.8	1612.1	1336.6

FIXED INTEREST

	PRICE INDICES	Tues June 3	Day's change %	Mon June 2	xd adj. today	xd adj. 1986 to date
	British Government					
1	5 years	124.17	+0.03	124.61	0.40	5.12
2	5-15 years	145.58	-0.04	145.65	—	4.57
3	Over 15 years	152.09	+0.01	152.07	—	5.67
4	Irredeemables	170.83	-0.11	171.02	—	[illegible]
5	All stocks	140.78	-0.01	140.88	0.17	5.01
	Index-Linked					
6	5 years	113.47	+0.11	113.34	—	0.81
7	Over 5 years	120.38	+0.25	120.09	—	1.21
8	All stocks	119.86	+0.23	118.79	—	1.14
9	Debentures & Loans	128.45	-0.18	128.66	—	5.47
10	Preference	89.15	-0.06	89.21	—	3.18

AVERAGE GROSS REDEMPTION YIELDS (Tues June 3 / Mon June 2 / Year ago (approx.)): British Government — Low Coupons, Medium Coupons, High Coupons (5, 15, 25 years); Irredeemables; Index-Linked — Inflat'n rate 5% and 10% (Over 5 yrs., Over 15 yrs.); Debs & Loans (5, 15, 25 years); Preference — [figures illegible]

♦Opening index 1599.2; 10 am 1603.2; 11 am 1605.7; Noon 1604.0; 1 pm 1606.7; 2 pm 1607.3; 3 pm 1606.4; 3.30 pm 1605.1; 4 pm 1604.8

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Alphameric	160	+ 3
Charterhall	29	—
Cifer	18	—
Ferguson (J.)	54	+ 3
Huntleigh	243	+18
Lond and O'seas Frtrs	34	[illegible]
Mountview Estates	640	+30
NSS Newsagents	210	+28
Nu-Swift Inds	110	+ 7
Rotaflex	385	+33
Smith (David S.)	233	[illegible]
York Mount	75	+10

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Dwek	19	88	+19
Prudential†	18	860p	−10
Banro Inds.	17	210	+37
Charterhall	16	29	+ 3
Hestair	14	185	+17
ICI	14	820	—
Barclays	13	487	−13
Brit. Telecom	13	222	− 2
Dowty	12	226	− 2
Polly Peck	12	183	−10
Racal	12	174	− 2
TI	12	547	− 5

† Nil-paid.

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 24,639

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (75)

BRITISH FUNDS (1), AMERICANS (1), CANADIANS (1), BREWERS (2), BUILDINGS (5), STORES (3), ELECTRICALS (7), ENGINEERING (4), FOODS (1), INDUSTRIALS (15), LEISURE (1), MOTORS (2), PAPER (6), PROPERTY (10), SHIPPING (3), TEXTILES (2), TRUSTS (7), OILS (1), PLANTATIONS (2), MINES (1).

NEW LOWS (37)

CANADIANS (1) Imperial Oil, BANKS (1) Copenhagen Handelsbank, CHEMICALS (1) Wolstenholme Rink, STORES (1) Underwoods, ELECTRICALS (3) Norbain Elect., Process Systems, Sigmex Intl., ENGINEERING (3) Hobson, SPP, Thyssen, FOODS (1) Utd. Biscuits Warrants, INDUSTRIALS (3) High-Point Services, Limoges Porcelain, Securicor, INSURANCE (2) Abbey Life, Minet Hldgs., LEISURE (3) Chrysalis, Juliana's, Television Services, OILS (1) Edinburgh Oil and Gas, MINES (17) Cons. Modderfontein, Wit Nigel, Doornfontein, Elsburg, Stilfontein, Western Deep, Beatrix Mines, F.S. Cons. Gold, Welkom Gold Hldgs., Impala Plat., Anglo American Coal, Anglo American Corp, Genbel, Gold Fields S.A., New Wits, OFS Invs., Geevor Tin.

TRADITIONAL OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
May 19	June 6	Aug 28	Sept 8
June 9	June 20	Sept 11	Sept 22
June 23	July 4	Sept 25	Oct 6

For rate indications see end of Unit Trust Service

Call options were taken out in Arlington Securities, Ferry Pickering, Air Call, Ecobric, Rockware, Conroy Petroleum, Dixons, David S. Smith, North Kalgurli, Brown and Jackson, Charterhall, A & M Hire, Sears and Amstrad. A put was done in Polly Peck, but no doubles were reported.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	27	38	47
Corpns. Dom. and Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	[illegible]	[illegible]	[illegible]
Fin. and Props.	[illegible]	[illegible]	[illegible]
Oils	[illegible]	[illegible]	[illegible]
Plantations	[illegible]	[illegible]	[illegible]
Mines	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]
Totals	565	630	[illegible]

LONDON TRADED OPTIONS

[illegible]

June 2. Total contracts 12,291. Calls 9,045. Puts 3,246 *Underlying security price.

WORLD STOCK MARKETS

AUSTRIA

June 3	Price Sch.	+ or −
Credit'nst'lt pp.	2,800	−50
Goesser	3,550	+50
Interunfall	14,450	......
Jungbunzlauer	19,000	−500
Laenderbank	2,200	−10
Perlmooser	550	−10
Steyr Daimler	177	......
Veitscher Mag	11,700	−100

BELGIUM/LUXEMBOURG

June 3	Price Frs.	+ or −
B.B.L.	3,090	+30
Banq. Gen. Lux	15,600	......
Banq. Int.A.Lux.	16,800	+500
Bekaert	12,500	......
Ciment CBR	3,815	+5
Cockerill	143	−4
Delhaize	13,100	......
EBES	4,400	+15
Electrobel	15,600	−125
Fabrique Nat.	2,390	+90
GB Inno BM	7,600	−50
GBL (Brux)	3,130	−20
Generale Bank	6,320	+10
Gevaert	5,040	−30
Hoboken	7,230	......
Intercom	3,560	−20
Kredietbank	17,000	−500
Pan Hldgs	11,150	−100
Petrofina	7,900	−30
Royale Belge	25,500	+350
Soc. Gen. Belge	2,950	−20
Sofina	9,900	−100
Solvay	7,830	+90
Stanwick Intl	460	......
Tractionel	5,940	−80
UCB	7,320	−30
Wagons Lits	6,050	−70

DENMARK

June 3	Price Knr %	+ or −
Andelsbanken	348	......
Baltica Skand	640	+10
Cop Handelsb'nk	271	+4
D. Sukkerfab	390	+15
Danske Bank	320	+3
De Danske Luft	1,650	+20
East Asiatic	215	......
Forenede Brygg.	1,140	......
Forenede Damp.	220	+6
GNT Hld	515xr	+15
I.S.S.B.	670	+10
Jyske Bank	565	+15
Novo Inds*	1,385	......
Privatbanken	267	+3
Provinsbaken	323	+4
Smidth (F.L.) B	290	+10
Sophus Berend	900	+10
Superfos	266	+6

FRANCE

June 3	Price Frs.	+ or −
Emprunt 4½% 1973	1,585	+5
Emprunt 7% 1973	7,860	−166
Accor	402	−14
Air Liquide	764	−16
BIC	625	−10
Bongrain	1,790	−110
Bouygues	1,150	+10
BSN Gervais	3,470	−100
CIT Alcatel	2,170	+75
Carrefour	2,729xo	−40
Club Mediter'n	505	−13
Cie Bancaire	1,100	−40
Cofimeg	448	−10
Damart	2,030	−18
Darty	3,100	−49
Dumez S.A.	1,271	−59
Eaux (Cie Gen)	1,280	−18
Elf Aquitane	309	−15
Essilor	2,690	−90
Gen.Occidentale	940	+9
Imetal	75.2	+0.1
[illegible]		

GERMANY

June 3	Price Dm.	+ or −
AEG	330	−9.5
Allianz Vers.	2,280	−120
BASF	273.8	−7.2
Bayer	288.6	−2.4
Bayer-Hypo	515	−13
Bayer-Verein	512	−17
BHF.Bank	493	−11
BMW	564	−16
Brown Boveri	306.2	−2.8
Commerzbank	299.5	−10xd
Cont'l. Gummi	235	−6
Daimler-Benz	1,293	+41.5
Degussa	459.5	−1.2
D'sche Babcock	192	−9
Deutsche Bank	772	−18
Dresdner Bank	397	−13
Feld-Muehle Nbl	290	−15
GHH	211	+2
Henkel	385	−12
Hochtief	950	......
Hoechst	283xr	−8
Hoesch Werke	172	−5
Holzmann (P)	495	−11
Horten	180	−7
Hussel	480.7	−18.3
Karstadt	318	−10
Kaufhof	404	−11
KHD	243	−13
Kloeckner	90.1	−1.4
Linde	680	−16
Lufthansa	195	−15
MAN	182	−1
Mannesmann	209.8	−6.2
Mercedes Hld	1,140	−40
Metallgesell	335	−8
Muench Rueck	2,860	......
Nixdorf	561	−19
Porsche	1,030	−65
Preussag	172.5	−7.5
RheinWest Elect	218	−8
Rosenthal	335.8	−17.8
Schering	559	−16
Siemens	603.7	−8.8
Thyssen	153	−8
Varta	322	−7
Veba	270.8	−5.2
V.E.W.	158	−3.5
Verein-West	513	......
Volkswagen	538.5	−16.5

ITALY

June 3	Price Lira	+ or −
Banco Com'le.	28,900	+875
Bastogi-IRBS	868	+58
Centrale	4,080	+99
C.I.R.	15,800	+800
Credito Italiano	4,150	+60
Fiat	14,650	+1,050
Generali Assicur.	156,200	+10,200
Italcementi	72,750	+2,250
La Rinascente	1,275	+74
Montedison	3,380	+121
Olivetti	17,470	+670
Pirelli Co	7,890	+360
Pirelli Spa	5,670	−20
Saipem	5,900	+500
Snia BPD	6,285	+250
Toro Assic	40,000	+2,550

NETHERLANDS

June 3	Price Fls	+ or −
ACF Holding	334.5	−3.5
AEGON	111.2	−0.9
Ahold	84.1	−0.7
AKZO	172.3	−2.2
ABN	584.5	−3.5
AMEV	82.5	−0.6
AMRO	110.3	−3
Bredero Cert.	221	+11
Bos Kalis Westm.	14.9	−0.2
Buehrmann Tet.	182	−2.5
Calland Hlgs	18.5	−0.3
Dordtsche Pet'm	186.5	+0.7
Elsevier-NDU	219	......
Fokker	89.8	−2.3
Gist Brocades	291	−1.5
Heineken	175.2xo	−1.8
[illegible]		

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

JAPAN

[illegible]

HONG KONG

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

CANADA

TORONTO

Prices at 2.30pm
June 3

[illegible]

Sales	Stock	High	Low	Close	Chng
2200	Chieftan	$9¼	9¼	9¼	+ ⅛
1000	CHUM B f	$54	54	54	
14730	Cominco	$13¾	13½	13½	− ¼
1200	Computog	56	6	6	− ¼
8705	Comput In	385	360	360	
1600	Conterm	170	170	170	− 10
15525	Con Bath A	$24½	24½	24½	
29200	CDistb B f	$7⅞	7¾	7¾	− ⅛
51884	LL Lac	$22	21½	21¾	
200	Lacana	$7⅞	7⅞	7⅞	− ⅛
10350	Laidlaw A	$20⅞	20⅝	20⅞	+ ¼
22380	Laidlw B f	$20½	20⅛	20¼	− ⅛
16800	Leigh Inst	$5⅞	5¾	5¾	
5200	Loblaw Co	$13	12⅞	12⅞	
2925	Lumonics	$15	14¾	14¾	− ⅜
20200	MICC	$6½	6¼	6¼	− ⅛
1505	Sceptre	285	285	285	
1020	Scotts I	$40¼	40⅛	40⅛	− ⅛
95003	Seagram	$87½	86⅝	87½	+ ½
137397	Sears Can	$14½	14⅛	14⅛	− ⅜
2800	Selkirk A I	$24¼	24	24¼	+ ¼
11354	Shell Can	$22¾	22¼	22¼	− ¼
902	Sherritt	$6⅞	6¾	6¾	+ ⅛
100	Sigma	$9½	9½	9½	

MONTREAL

Closing prices June 2

[illegible]

Sales	Stock	High	Low	Close	Chng
2950	RollandA	$31	30¼	30¼	− ½
100	RollandB	$30	30	30	+ ¼
9280	Royal Bank	$31¾	31½	31½	− ⅜
2052	RoyTrstco	$33	31⅞	31⅞	− 1⅛
38579	SteinbrgA	$45	45	45	

Total Sales 3,434,117 shares

Indices

NEW YORK-DOW JONES

	June 3	June 2	May 30	May 29	May 28	May 27	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Industrials	1,858.98*	1,861.85	1,876.71	1,882.35	1,878.28	1,853.83	1882.35 (29/5/86)	1582.29 (22/1/86)	1882.35 (29/5/86)	41.22 (2/7/32)
Transport	798.00*	798.58	803.36	809.84	810.84	809.13	830.84 (31/3/86)	686.97 (6/1/86)	830.84 (31/3/86)	12.32 (8/7/32)
Utilities	188.83*	188.33	189.62	189.84	187.91	186.47	193.73 (31/3/86)	169.47 (22/1/86)	193.73 (31/3/86)	10.5 (28/4/42)
Trading vol		−	152m	136m	166m	121m	−	−	−	−

	May 23	May 6	May 2	Year Ago (Approx)
Ind Div Yield %	3.57	3.63	3.67	4.70

STANDARD AND POORS

	June 3	June 2	May 30	May 29	May 28	May 27	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Industrials	273.82*	274.18	276.58	277.16	276.55	273.27	277.16 (29/5/86)	224.88 (22/1)	277.16 (29/5/86)	3.62 (30/6/32)
Composite	244.51*	245.84	247.35	247.88	246.63	244.75	247.88 (29/5/86)	203.49 (22/1)	247.88 (29/5/86)	4.40 (1/6/32)

	May 21	May 14	May 7	Year Ago (Approx)
Ind div yield %	3.06	3.03	3.05	3.74
Ind. P/E Ratio	17.22	17.38	17.25	11.64
Long Gov Bond Yield	7.67	7.42	7.5	10.50

N.Y.S.E. ALL COMMON

June 3	June 2	May 30	May 29	1986 High	1986 Low
140.54*	399.35	142.06	142.37	142.37 (29/5/86)	117.75 (22/1)

RISES AND FALLS

	May 30	May 29	May 28
Issues traded	1,992	1,994	2,004
Rises	730	821	978
Falls	838	742	643
Unchanged	424	431	383

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
Mair John	1,668,700	28⅛	+1½	Motel	942,880	6¼	+ ⅛
Sperry CP	1,493,900	74¾	unch	IBM	918,100	152	+ ⅛
Balt Gas	1,886,600	29⅞	− ⅛	Bellsouth	884,980	56⅛	+ ⅛
Archer-Dan	1,829,300	18⅛	− ⅜	ITT Corpo	796,100	46⅞	−1⅛
East Kodak	1,818,500	61⅛	+1⅞	Mobil	780,900	31½	+ ⅛

Advances 659 Declines 838

TORONTO

	June 3	June 2	May 30	May 29	1986 High	1986 Low
Metals & Minls	2,160.1*	2,174.8	1,262.33	2,181.6	2,442.85 (21/3/86)	2,025.3 (21/5/86)
Composite	3,086.5*	3,088.2	3,121.9	3,109.4	3,129.11 (18/4/86)	2,754.0 (17/2)
MONTREAL Portfolio	1,577.86*	1,584.35	1,590.47	1,587.12	1,623.33 (16/4/86)	1,386.6 (22/1)

* indicates pre-close figure

	June 3	June 2	May 30	May 29	1986 High	1986 Low
AUSTRALIA						
All Ord. (1/1/80)	1220.5	1229.5	1241.0	1228.3	1247.0 (7/5)	1018.8 (2/1)
Metals & Minls. (1/1/80)	515.9	520.6	521.5	515.7	602.8 (24/3)	481.1 (20/5)
AUSTRIA						
Credit BK Aktien (2/1/62)	120.41	121.31	130.05	(c)	150.69 (25/4)	116.12 (5/5)
BELGIAN						
Brussels SE (1/1/80)	3616.42	3621.01	3617.11	3621.94	3788.16 (24/4)	2766.91 (15/1)
DENMARK						
Copenhagen SE (3/1/83)	227.56	224.12	224.88	224.30	258.70 (18/4)	214.57 (21/1)
FRANCE						
CAC General (31/12/82)	369.1	365.8	364.80	351.7	411.5 (15/5)	287.8 (2/1)
Ind Tendance (31/12/85)	134.7	137.7	134.10	132.1	154.5 (12/5)	101.6 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	628.95	649.04	651.42	(c)	753.88 (17/4)	618.34 (27/2)
Commerzbank (1/12/53)	1901.6	1962.9	1999.0	(c)	2278.8 (17/4)	1866.6 (27/2)
HONG KONG						
Hang Seng Bank (31/7/64)	1757.91	1781.94	1787.98	1772.76	1865.65 (7/5)	1559.94 (19/5)
ITALY						
Banca Comm Ital. (1972)	820.88	(c)	782.90	731.91	988.28 (20/5)	454.67 (24/1)
JAPAN**						
Nikkei (16/5/49)	16899.5	16739.3	16670.77	16818.6	16739.5 (2/6)	12881.5 (21/1)
Tokyo SE New (4/1/68)	3102.88	1308.85	1300.11	1294.97	1509.88 (2/6)	1025.86 (21/1)
NETHERLANDS						
ANP.CBS General (1970)	290.2	292.5	289.2	286.4	292.5 (2/6)	249.4 (3/5)
ANP.CBS Indust (1970)	285.2	284.9	280.2	279.5	284.9 (2/6)	254.0 (3/5)
NORWAY						
Oslo SE (4/1/83)	352.08	350.07	347.15	341.05	482.91 (16/1)	332.25 (20/5)
SINGAPORE						
Straits Times (30/12/66)	695.51	683.50	656.8	645.55	695.51 (3/6)	563.34 (28/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	1163.5	1142.1	1145.7	1507.8 (27/1)	1109.1 (21/4)
JSE Indust (28/9/78)	—	1152.7	1157.7	1160.0	1205.1 (20/3)	1089.3 (2/1)
SPAIN						
Madrid SE (30/12/85)	184.84	185.26	185.84	177.27	194.77 (12/5)	100.85 (3/1)
SWEDEN						
Jacobson & P (31/12/56)	2375.78	2385.80	2375.78	2360.25	2385.80 (2/6)	1729.67 (28/1)
SWITZERLAND						
Swiss BankCpn (31/12/58)	571.0	572.9	571.1	567.3	625.5 (9/1)	554.7 (28/2)
WORLD						
M.S. Capital Intl. (1/1/70)	—	314.9	316.0	318.2	322.2 (21/4)	249.8 (23/1)

** Saturday May 31: Japan Nikkei 16,529.1, TSE 1302.16.

Base value of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Montreal Portfolio 4/1/83. Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 49

[illegible]

LONDON Chief price changes (in pence unless otherwise indicated)

RISES

Tr 2½% IL 01	£107½	+¾
Air Call	242	+17
Airflow Streamline	52	+ 8
Clayform Props.	280	+20
Cook (Wm)	135	+ 9
Dominion Intl.	115	+ 7
Evered	298	+ 8
First Leisure	348	+17
Ford (Martin)	75	+ 6
Great Western Res.	70	+ 7
Hunterprint	243	+18
NSS Newsagents	210	+28
Mountview Ests.	640	+30
Northern Foods	278	+ 8
Pearson	472	+19
Pentland Inds.	745	+20
Rotaflex	385	+35
Samuel Props.	270	+17
Scott & Robertson	170	+28
Siebe	990	+20
Tate & Lyle	585	+15
York Mount	75	+10

FALLS

Blue Circle	660	−15
Dee Corp.	252	−10
Geevor Tin	25	−13
Process Systems	40	−10
Royal Insurance	854	−22
TI	530	−17
Tarmac	458	− 8
Tricentrol	55	− 5

Prices at 3pm, June 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on Page 49

NYSE COMPOSITE PRICES

Continued from Page 48

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		X Y Z								
72¾	45¾	Xerox	3	5.1	14	1748	59⅞	58¾	58¼	−½
58¼	52¾	Xerox pf5.45		9.8		4	55⅞	55⅞	55⅞	
28⅝	20⅝	XTRA	.64	2.7		110	24⅝	23¾	23¾	−¼
17	13½	Yorkin n				283	14¼	13⅞	14	−⅛
37	26¼	ZaleCp 1.32		3.5		1188	u38	37	37½	+1½
12⅞	3⅞	Zapata .03j				112	4⅛	4¼	4⅛	+⅛
81⅞	47⅛	Zayre	.64	.8	24	285	79⅞	78⅝	79	+⅝
29⅝	16¼	ZenithE				2212	27⅛	26⅝	27⅛	+⅜
38⅝	17⅞	ZenLbs .10		.3	21	1002	32½	30⅞	31¼	−1½
18¼	8⅝	ZenLb wi				21	16⅝	16	16	−⅝
22⅝	14	Zero s	.29	1.6	18	385	18½	18½	18½	+⅛
45¾	32⅛	Zurnin 1.32		3.4	14	117	39⅜	38¾	39¼	+¾

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, June 3

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

[illegible]

Continued on Page 47

FINANCIAL TIMES

WORLD STOCK MARKETS

WALL STREET

Setback on bond market uncertainty

TRADING in Wall Street stocks was subdued yesterday, as investors nervously watched the federal bond and futures markets, *writes Terry Byland in New York.*

Blue chips steadied after some initial selling, but stocks were easier across the broad range of the market.

At 2pm, the Dow Jones industrial average was down 2.96 at 1,858.99.

Short-term rates jumped 10 basis points or so, but long-term bond yields turned down after at first edging above 7.90 per cent again. The uncertainty in the bond market, which caused the sharp setback in equities on Monday, kept stock-market trading at a low ebb.

Treasury bond futures, which have acted as a trigger for both stock index futures and equity prices, opened firmly but could not hold the early gain.

Wall Street's next hurdle comes on Friday when the latest unemployment statistics are due. The bond market has weakened significantly as federal data has indicated a stronger US economy. Increased business activity is likely to force interest rates higher and eliminate the chances of another cut in federal discount rate.

In the stock market, rail issues, likely to be early gainers from a strengthening economy, continued to advance. Burlington Northern put on a further $⅝ to $66⅛.

Technology stocks no longer gave a lead to the equity market. Honeywell, disclosing details of a new mainframe computer, eased $¼ to $79⅞. IBM fell $¼ to $152 in brisk trading.

With the stock market still somewhat cool towards the acquisition of Sperry, a further dip of $¼ took Burroughs to $59. A weak feature was Digital Equipment, down $⅜ to $90. Digital is directly in line for competition from the new Sperry-Burroughs group.

General Electric eased $⅜ to $79⅝, United Air $⅜ to $58⅜ and Pan Am $¼ to $6⅛. But a firm spot was Merck, the pharmaceutical leader, up $1⅛ to $96⅛.

Insurance stocks took a downward turn after a Smith Barney analyst warned that proposals by Florida authorities to cut premiums could be followed by other states.

Hardest hit was Marsh McLellan, delayed initially by an order imbalance, and later showing a fall of $1⅜ at $59.

Insurance stocks were also adversely affected by the signs that interest rates may be headed higher. Banks, too, gave ground, Chase Manhattan shedding $⅜ to $42⅛, Citicorp $⅜ to $46⅛, and J. P. Morgan $1 to $86⅞.

Retail stocks gave up a little more of their recent gains. At $79⅜, J. C. Penney fell $⅜, Sears was $⅜ down at $46⅞, and Federated Department Stores $⅛ off at $81⅜. But John Blair stock gained $1¼ to $27¾, just topping the $27 a share offer from Reliance Capital.

Stock in TRW was hard hit by news that the Justice Department has joined in a lawsuit brought by a group of former employees, involving military spending. At $103⅜, TRW lost $3⅜, while United Technologies, also named, eased $⅛ to $50⅜.

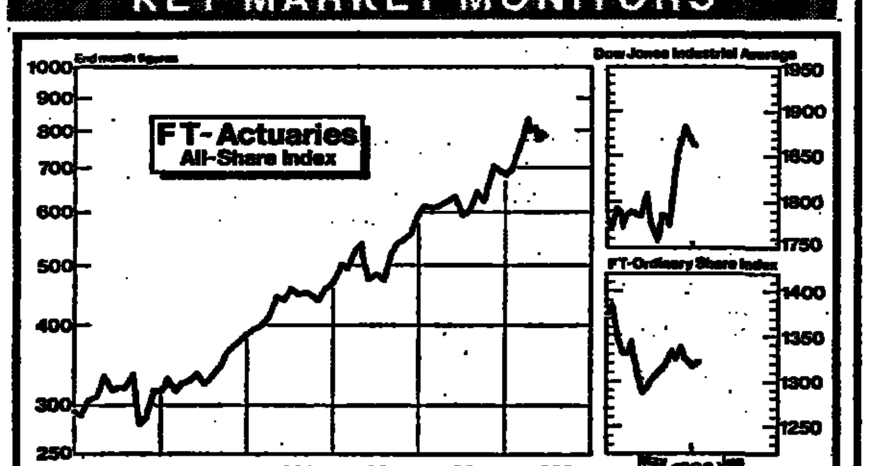
With oil prices still tracing an uncertain pattern, stocks of the major US producers showed narrow changes. Exxon at $60⅛ added $⅛, while Atlantic Richfield eased $⅜ to $54⅞.

On the American Stock Exchange, Home Group tumbled $1 to $27⅛ after debenture holders agreed to arrangements permitting some restricted subsidiaries to increase funded debt. Henredon Furniture jumped $11 to $57 on the $58 a share offer from Masco.

As the first half of the session passed without any alarms from the futures market, bond prices edged higher in a technical recovery from the weakness of recent sessions.

Short-term rates remained firm, however, despite another round of $1.5bn in customer repurchase arrangements by the Federal Reserve. Federal funds were unaffected by the Fed's capital injection, when the rate stood at 7⅛ per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

	June 3	Previous	Year ago
NEW YORK			
DJ Industrials	1,858.99*	1,861.95	1,310.93
DJ Transport	796.00*	798.58	647.85
DJ Utilities	186.83*	188.33	163.26
S&P Composite	244.51*	245.04	189.32
LONDON	June 3	Prev	Year ago
FT Ord	1,320.4	1,316.4	1,020.2
FT-SE 100	1,602.2	1,596.5	1,324.6
FT-A All-share	789.80	787.18	643.80
FT-A 500	873.33	869.08	707.39
FT Gold mines	215.4	215.5	450.2
FT-A Long gilt	9.25	9.25	10.60
TOKYO			
Nikkei	16,669.54	16,739.3	12,473.4
Tokyo SE	1,302.98	1,309.83	984.62
AUSTRALIA			
All Ord.	1,220.5	1,229.3	872.6
Metals & Mins.	515.9	520.6	535.7
AUSTRIA			
Credit Aktien	120.41	121.31	98.67
BELGIUM			
Belgian SE	3,618.52	3,621.01	2,373.84
CANADA			
Toronto			
Metals & Mins	2,160.1*	2,174.8	1,956
Composite	3,086.9*	3,098.8	2,744.7
Montreal			
Portfolio	1,577.88*	1,584.35	134.19
DENMARK			
SE	227.56	224.12	180.89
FRANCE			
CAC Gen	359.1	365.8	232.5
Ind. Tendance	134.7	137.7	84.1
WEST GERMANY			
FAZ-Aktien	628.93	649.04	461.95
Commerzbank	1,901.6	1,962.9	1,355.0
HONG KONG			
Hang Seng	1,757.91	1,781.94	1,641.25
ITALY			
Banca Comm.	820.88	closed	303.22
NETHERLANDS			
ANP-CBS Gen	290.2	292.3	212.1
ANP-CBS Ind	283.2	284.9	174.0
NORWAY			
Oslo SE	352.08	350.07	345.97
SINGAPORE			
Straits Times	695.31	683.30	812.41
SOUTH AFRICA			
JSE Golds	–	1,163.5	1,037.1
JSE Industrials	–	1,152.7	963.0
SPAIN			
Madrid SE	184.04	183.26	81.48
SWEDEN			
J & P	2,373.78	2,383.80	1,360.83
SWITZERLAND			
Swiss Bank Ind	571.0	572.9	433.5
WORLD	June 2	Prev	Year ago
MS Capital Int'l	314.8	316.0	213.4

COMMODITIES

(London)	June 2	Prev
Silver (spot fixing)	343.85p	353.70p
Copper (cash)	£934.50	£949.25
Coffee (July)	£1,882.50	£1,818.50
Oil (Brent blend)	$12.70	$12.90

GOLD (per ounce)

	June 3	Prev
London	$341.75	$342.00
Zürich	$342.35	$342.00
Paris (fixing)	$341.30	$343.44
Luxembourg	$341.90	$342.65
New York (August)	$345.30	$345.10

CURRENCIES

(London)	US DOLLAR June 3	US DOLLAR Previous	STERLING June 3	STERLING Previous
$	–	–	1.4935	1.474
DM	2.274	2.323	3.395	3.425
Yen	171.55	174.9	256.25	257.75
FFr	7.24	7.4	10.8175	10.9075
SFr	1.879	1.928	2.805	2.8425
Guilder	2.557	2.613	3.8175	3.8525
Lira	1,560	1,590	2,330	2,343.5
BFr	46.45	47.425	69.35	69.9
C$	1.3935	1.389	2.0785	2.0445

INTEREST RATES

Euro-currencies (3-month offered rate)	June 3	Prev
£	9¹¹⁄₁₆	9⅝
SFr	4⅞	4⅞
DM	4¹¹⁄₁₆	4¹¹⁄₁₆
FFr	7⅛	7³⁄₁₆
FT London Interbank fixing (offered rate)		
3-month US$	7³⁄₁₆	7⅛
6-month US$	7⁵⁄₁₆	7³⁄₁₆
US Fed Funds	7⅛*	6⅞
US 3-month CDs	6.80*	6.875
US 3-month T-bills	6.415*	6.56

US BONDS

Treasury

		June 3* Price	June 3* Yield	Prev Price	Prev Yield
7¼	1988	99⁷⁄₃₂	7.52	99¹³⁄₃₂	7.468
7⅜	1993	95²⁹⁄₃₂	8.177	95²⁹⁄₃₂	8.21
7⅜	1996	94¹¹⁄₃₂	8.22	94⁵⁄₃₂	8.256
7¼	2016	93	7.86	92²²⁄₃₂	7.889

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index	June 3* Day's change	Yield	Day's change
1–30	146.42	+0.00	8.19	+0.01
1–10	140.80	+0.08	8.01	+0.01
1–3	134.14	+0.06	7.65	+0.05
3–5	142.42	+0.07	8.26	+0.00
15–30	166.81	+0.28	8.75	+0.02

Source: Merrill Lynch

Corporate	June 2* Price	June 2* Yield	Prev Price	Prev Yield
AT & T				
3⅜ July 1990	89¼	6.95	89¼	6.95
SCBT South Central				
10⅞ Jan 1993	105	8.61	105	8.61
Phibro-Sal				
8 April 1996	96.36	8.55	96.36	8.55
TRW				
8⅜ March 1996	100.953	8.6	100.953	8.6
Arco				
9⅞ March 2016	103⅜	9.49	103⅜	9.49
General Motors				
8⅛ April 2016	91¼	8.97	91¼	8.97
Citicorp				
9⅜ March 2016	96⅜	9.70	96⅜	9.70

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT)				
8% 32nds of 100%				
June	92-02	92-28	91-18	91-30
US Treasury Bills (IMM)				
$1m points of 100%				
June	93.56	93.65	93.56	93.61
Certificates of Deposit (IMM)				
$1m points of 100%				
June	93.18	93.21	93.18	93.19
LONDON				
Three-month Eurodollar				
$1m points of 100%				
June	92.88	92.90	92.84	92.92
20-year National Gilt				
£50,000 32nds of 100%				
June	123-04	123-11	122-24	123-04

** Latest available figures*

TOKYO

Isolated spots of support

INVESTORS continued to seek biotechnologies and some large-capital issues in Tokyo yesterday, but the market as a whole suffered a moderate setback, *writes Shigeo Nishiwaki of Jiji Press.*

The overnight sharp fall on Wall Street spurred investors, growing cautious about the rapid rise in recent sessions, to sell blue chips, market observers said. They said the yellow light was already flashing among the technical indexes of the market on Monday, with the average rising 10 out of 12 days.

The Nikkei average lost 69.73 to 16,669.54 on a volume of 834m shares compared with Monday's 835m. Losers outpaced gainers 514 to 361, with 116 issues unchanged.

Despite the general downtrend, large-capital steels and shipbuildings remained popular. A conspicuous winner was Ishikawajima-Harima Heavy Industries, the busiest stock with 75.77m shares changing hands, which added Y7 to Y226.

Nippon Steel, which topped the active list on Monday, came in second with 44.39m shares, but dipped Y1 to Y175 under profit-taking selling. Kawasaki Steel was also on the list, placing seventh, but it fell Y3 to Y170.

A major broker said some institutional investors had begun trading in large-capital stocks, pulling out their funds from the bond market, which had been showing erratic moves.

Among biotechnology-related stocks, those promising easy capital gains attracted investor attention.

Nichirei advanced Y16 to Y775 on the fifth heaviest trading of 16.39m shares, reflecting the foodstuff maker's advance into the biotechnology market and the rumoured redevelopment of its plant sitê. Kuraray soared Y60 to Y2,070 and Kyowa Hakko Y50 to Y1,830, while Meiji Milk Products firmed Y19 to Y820.

Elsewhere, Showa Denko ranked third on the active list with 20.05m shares, rising Y6 to Y417 on persistent rumours of cornering of its shares. Toyo Menka jumped Y21 to Y308.

The Wall Street decline and the yen's rally prompted investors to sell blue chips. Matsushita Electric Industrial dropped Y60 to Y1,560, NEC Y50 to also Y1,560 and Sony Y80 to Y3,600.

Bond prices opened lower in the wake of the fourth consecutive decline in New York, but turned up later as dealers bought back government bond futures. The bellwether 6.2 per cent government bond maturing in July 1995 traded at a yield of 5.055 per cent, down from Monday's 5.060 per cent, and the 5.1 per cent government bond due in March 1996 at 5.240 per cent, down from 5.310 per cent.

Institutional investors, uncertain about the future course of the bond market, remained on the sidelines and trading was done only between banks and the dealing sections of brokerage houses. Observers said bond investors were bearish despite the minor gain.

SINGAPORE

DOMESTIC and foreign institutions bought heavily in Singapore yesterday and prices continued firmer.

Blue chips attracted most attention. Singapore Airlines, the day's busiest issue, put on 10 cents to S$6.75 while Haw Par added 8 cents to S$2.65.

United Industrial Corporation rose 20 cents to S$1.80 as Intraco, up 54 cents at S$2.18, considered a takeover bid by the Corporation.

AUSTRALIA

CONCERN over the economy coupled with a sharply lower Australian dollar to push Sydney down in quiet trading yesterday.

Lack of any further takeover activity concerning BHP has left the market directionless, and some traders believe stock prices could continue to slide if no new offers for the company are received. BHP ended 4 cents lower at A$8.62.

EUROPE

Frankfurt falls amid faster pace

THE PACE quickened on the European bourses yesterday as technical factors combined with recent corporate news to entice investors back into the market. The weaker dollar also played its role.

Frankfurt met with a brisk markdown as the Commerzbank index plunged 61.3 to 1,901.6 on the lower dollar. Banks and car makers suffered the sharpest falls.

Deutsche Bank finished DM 18 cheaper at DM 771 and Dresdner retreated DM 13 to DM 397. Insurer Allianz, volatile on even the best days, lost a further DM 120 to DM 2,280.

Daimler's DM 41.50 drop to DM 1,282 set the tone in the quality car sector while VW lost an equally sharp DM 16.50 to DM 538.50.

In chemicals, Bayer surrendered DM 12.40 to DM 288.60, while Hoechst gave up DM 8 to DM 283 ahead of its DM 10 dividend today and earnings forecast.

Among high-tech and computer stocks, Nixdorf closed DM 19 to DM 561 as robotics group IWKA lost DM 9.50 to DM 255. SEL moved against the trend with its DM 6 rally to DM 357.

The overnight slide on the US credit market soured German bonds. Longs slumped as much as a full point while shorts dropped by up to 25 basis points.

The new two tranche federal Government loan stock was quoted officially for the first time yesterday with both bonds 2 points below their issue price. The 6 per cent 2016 tranche was quoted at 97 and the 5⅞ per cent at 98. The 6 per cent 1998 federal issue slipped ⅜ point to 99.50.

Bundesbank intervention was limited to purchases of DM 34.3m of domestic paper compared with Monday's purchase of DM 50.3m.

Bourse turnover for the first five months of the year surged 124 per cent to DM 156bn but May turnover fell 48 per cent to DM 20.8bn compared with the same period last year. The most active stocks last month were Daimler, Hoechst and Deutsche Bank.

Milan regained its poise after Monday's holiday and the tentative recovery on Friday. Spirited buying by Italian mutual funds, small domestic investors and overseas institutions boosted the broad market and industrials in particular. Insurers and financials also found strong support.

Demand resurfaced for Fiat despite reports that the Libyan Government was not interested in selling its stake in the transport group.

Fiat's forecast for healthy profits for the current year helped and it finished L1,030 higher at L14,630.

Montedison added L121 to L3,259 and Olivetti rose L670 from Friday's quote to finish at L17,470. Generali jumped L10,200 to L155,200.

Pirelli SpA was one of the few to move lower with its L20 decline to L5,670.

Brussels was little changed as market bellwether Petrofina dipped BFr 30 to BFr 7,900. Utilities were weak despite the prospects of lower interest rates.

Zurich was also in the doldrums as the uncertain course of the dollar forced many foreign buyers to the sidelines. Early strength was sapped by lack of any follow through support. Swissair, up SFr 30 in early trading, finished SFr 30 cheaper at SFr 1,710.

Paris encountered a swift technical erosion of Monday's advance with the market some 2 per cent lower by the close.

Bouygues managed a FFr 10 gain to FFr 1,150 on its TV acquisition plans, while Elf slipped FFr 15 to FFr on its profits forecast.

Stockholm continued at peak levels on the news that the metalworkers had decided to postpone their planned strikes. The bourse however, has steadfastly ignored this threat in recent weeks.

Volvo was unchanged at SKr 432 although Fermenta lost SKr 3 to SKr 166.

Oslo was buoyed by hopes of lower interest rates as seven-day rates eased 90 basis points overnight to 14.6 per cent. Kvaerner Industrier firmed NKr 10 to NKr 159.50 on the gas field announcement, Norsk Hydro slipped NKr 3.50 to NKr 157 on profit-taking.

Amsterdam was lower under the impact of a weaker dollar and internationals quickly lost ground.

Bourse turnover in May fell to Fl 22.7bn from the Fl 26.8 bn in April.

Madrid was higher in active trading.

SOUTH AFRICA

A WEAKER rand and steady bullion price helped shares to firm in Johannesburg.

Randfontein soared R10 to R270, Vaal Reefs R14 to R225.50 Buffels 3.50 to R77.50 and Loraine 80 cents to R12.75.

Gains among mining houses and holding companies were more moderate, however.

LONDON

Cheered up by more rate hopes

OPTIMISM OVER further interest rate cuts continued to buoy London yesterday and speculative activity picked up after news of two fresh bids.

Dee Corporation, down 10p at 252p, weakened late on talk that it was about to buy the Fine Fare chain from Associated British Foods, while Gallaher's surprise bid for NSS Newsagents left the latter 28p higher at 210p.

The FT Ordinary share index closed 4.0 higher at 1,320.4 and the FT-SE 100 ended 5.7 up at 1,602.2.

After opening ½ or more lower, gilts turned around by the end of the session and the longer dated issues ended with modest gains, while shorts were narrowly mixed.

Chief price changes, Page 47; Details, Page 46; Share information service, Pages 44–45.

HONG KONG

SMALL INVESTORS remained on the sidelines and larger institutions continued their selling spree yesterday, pushing prices in Hong Kong sharply lower.

The Hang Seng index gave up 24.03 to 1,757.91, while the Hong Kong index shed 14.29 to 1,093.35.

Cheung Kong and Sun Hung Kai Properties continued lower, each with a 20-cent loss to HK$20.30 and HK$12.10 respectively. New World shed 15 cents to HK$6.00, while Hongkong Wharf at HK$6.90 and Hongkong Land at HK$6.10 were both unchanged.

CANADA

LOSSES continued in Toronto yesterday as Wall Street turned lower again.

Imasco was unchanged at C$34½ as it launched an issue of 10m common shares prices at C$34.50 each.

Carling O'Keefe, which will take an after tax loss following the sale of its subsidiary Jordon and Ste Michelle, slipped C$⅛ to C$14⅛.

Industrials, metals and mines and oils also followed the broad retreat.

Most sectors turned down in Montreal.